

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Iron County</b>	County <b>Iron</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>5/12/05</b>	Date Accountant Report Submitted to State: <b>6/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>901 Ludington Street</b>	City <b>Escanaba</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature <i>Anderson, Tackman &amp; Company P.C.</i>		Date <b>6/30/05</b>	

**COUNTY OF IRON, MICHIGAN**  
**BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report .....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>3</b>
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	18
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	20
Statement of Net Assets - Proprietary Funds .....	21
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds .....	22
Statement of Cash Flows - Proprietary Funds .....	23
Statement of Fiduciary Net Assets .....	24
Notes to the Basic Financial Statements .....	25
<b>Required Supplemental Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual - General Fund .....	58
Budget and Actual - Maintenance of Effort - Medicare Fund .....	59
Budget and Actual - Revenue Sharing Reserve Fund .....	60
Budget and Actual - Courthouse Construction Fund .....	61
Budget and Actual - 2002 MCF Construction Fund.....	62

# TABLE OF CONTENTS

	<u>Page</u>
<b>Other Supplemental Information:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	70
Combining Statement of Net Assets - Nonmajor Proprietary Funds .....	77
Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Proprietary Funds .....	79
Combining Statement of Cash Flows - Nonmajor Proprietary Funds .....	81
Combining Statement of Fiduciary Net Assets - Agency Funds .....	83
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....</b>	<b>85</b>
<b>Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....</b>	<b>87</b>
<b>Schedule of Expenditures of Federal Awards.....</b>	<b>89</b>
<b>Notes to Schedule of Expenditures of Federal Awards... ..</b>	<b>91</b>
<b>Schedule of Findings and Questioned Costs.....</b>	<b>92</b>
<b>Schedule of Prior Year Findings and Questioned Costs... ..</b>	<b>95</b>
<b>Additional Supplemental Information:</b>	
Continuing Disclosure Filing .....	96





**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Commissioners  
County of Iron  
Crystal Falls, Michigan 49920

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Iron, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Iron's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Iron County Medical Care Facility, which represent 51% of the assets, 44% of net assets, and 58% of revenues of the discretely presented component units. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Iron County Medical Care Facility, is based on the reports of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Iron, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof

for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2005, on our consideration of the County of Iron, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of December 31, 2004.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 11 and 58 - 62, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Iron's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the County of Iron, Michigan. Such information has been subject to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Andersen, Tackman & Company P.C.*

Certified Public Accountants

May 12, 2005

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Iron County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2004. Please read it in conjunction with the County's financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- The County's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A. Net assets for the County was reported at \$3,288,443. Net assets for our business-type activities were \$1,496,300 or 46% of total net assets, while net assets in our governmental activities were \$1,792,143 or 54% of total net assets.
- The County's expenses for the year totaled \$6,933,172, while revenues from all sources totaled \$7,753,278, leaving an increase of \$820,106.
- In the County's business type activities, total revenues were \$274,037, or 4% of total revenue, while expenses totaled \$116,044, or 2% of total expenses. This provides excess revenue over expenses of \$157,993.
- The General Fund reported a decrease in fund balance of \$43,742, representing a decrease in fund balance of 6%. This was after revenues of \$3,834,042 compared to \$3,857,206 in 2003, and expenditures of \$3,939,437 compared to expenses of \$3,834,042 in 2003.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 12, 13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County as a whole

#### Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes, state shared revenues and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The Construction Code and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; County Road Commission, District Health Department and Medical Care Facility, which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County's Most Significant Funds

#### Fund Financial Statements

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the County as a whole.

Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

#### The County as a Trustee

The County is the trustee, or *fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 24. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### The County as a Whole

The County's net combined assets grew by \$820,106.

**Table 1**  
**Net Assets**

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>
Assets:		
Current and other assets	\$ 11,082,968	\$ 1,443,391
Capital assets(net)	<u>12,344,205</u>	<u>54,438</u>
Total Assets	<u>\$ 23,427,173</u>	<u>\$ 1,497,829</u>
Liabilities:		
Long-term debt outstanding	15,786,337	-
Other liabilities	<u>5,848,693</u>	<u>1,529</u>
Total Liabilities	<u>\$ 21,635,030</u>	<u>\$ 1,529</u>
Net Assets:		
Invested in capital assets, net of related debt	(2,832,025)	-
Restricted assets:		
Expendable	468,692	-
Unrestricted	<u>4,155,476</u>	<u>1,496,300</u>
Total net assets	<u>\$ 1,792,143</u>	<u>\$ 1,496,300</u>

Net assets of the County's governmental activities stood at \$1,792,143. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$4,155,476.

Net assets in our business-type activities stood at \$1,496,300. Unrestricted net assets for our business-type activities were \$1,496,300.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

**Table 2**  
**Changes in Net Assets**

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 1,447,996	\$ 265,231
Operating grants	2,343,234	-
Capital grants	132,564	-
General Revenues:		
Property taxes	3,466,836	-
State revenue sharing	77,464	-
Unrestricted investment		
Earnings	<u>16,675</u>	<u>11,807</u>
Total Revenues	<u>7,484,769</u>	<u>277,038</u>
Program Expenses:		
Legislative	80,378	-
Judicial system	896,487	-
General government	1,828,309	-
Public Safety	1,592,873	-
Health and welfare	573,309	-
Recreation and culture	586,300	-
Highway and transportation	151,403	-
Community development	290,388	-
Other	105,321	-
Interest on long-term debt	708,534	-
Delinquent tax revolving	-	46,962
Building inspection	<u>-</u>	<u>69,082</u>
Total Expenses	<u>6,817,128</u>	<u>116,044</u>
Excess (deficiency) before transfers and contributions	667,641	160,994
Transfers	<u>(5,528)</u>	<u>(3,001)</u>
Increase (decrease) in net assets	662,113	157,993
Net assets - beginning	<u>1,130,030</u>	<u>1,338,307</u>
Net assets - ending	<u>\$ 1,792,143</u>	<u>\$ 1,496,300</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Governmental Activities

Revenues for the County's governmental activities totaled \$7,479,241, while expenses were \$6,817,128. The excess of revenue over expenses was \$662,113.

Table three below reflects the cost of each of the County's five largest activities; General government, public safety, judicial system, cultural and recreation, and health and welfare, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Governmental Activities**

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
General government	\$ 1,832,135	\$ (242,683)
Public safety	1,592,873	1,203,165
Judicial system	896,487	893,987
Cultural and recreation	586,300	69,346
Health and welfare	<u>573,309</u>	<u>5,344</u>
Totals	<u>\$ 5,481,104</u>	<u>\$ 1,929,159</u>

### Business-Type Activities

The County's business-type activities net assets totaled \$1,496,300, with an increase in the current year of \$157,993.

## THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of \$5,312,157, which was all unreserved. The General Fund unreserved fund balance amounted to \$709,821. The General Fund had a decrease in fund balance of \$43,742, representing a decrease of 6% over the prior year fund balance. The previous year (2003) had a decrease in fund balance of \$121,040, representing a decrease of 13.8% over the prior year (2002) fund balance. The main reason for the decline has been a result of continuing multi-year uncertainty over the extent of State Revenue Sharing cuts and State funded program reductions. During 2004, the Budget Stabilization



## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

Fund was reduced by \$72,000 representing a decrease of 50% over the prior year (2003) to allow for continuation of programs and personnel pending the outcome of the States funding of programs.

The Maintenance of Effort – Medicare fund had a fund balance of \$761,577, in which \$289,177 is designated for a final settlement payment to be made in the year 2009 to the State of Michigan Department of Social Services for the County Medical Care Facility Maintenance of Effort.

The Revenue Sharing Reserve fund had a fund balance of \$589,137, which is all unreserved and will be drawn down over the next 9.63 years providing a stable source of tax revenue to replace the eliminated State Revenue Sharing. State Revenue Sharing totaled \$297,113 in the 2000 fiscal year but has been reduced each year since and is now eliminated for the next 9.63 years.

The Courthouse Construction and 2002 Medical Care Facility Construction funds had unreserved fund balance of \$96,477 and \$2,007,081, respectively.

### **General Fund Budgetary Highlights**

Over the course of the year, the budget was amended several times to recognize unbudgeted revenue and authorize required expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$303,377, representing an increase of 7.8%. The original budget was conservative in recognizing revenues as a budgeting tool to deal with uncertain revenue sources. A total of \$200,826 or 66% of the revenue net change from the original budget was in new grants received after the original budget adoption. The remaining amended budget revenue recognition occurred as firm actual receipts took place during the year (i.e. increased taxes, federal payment in lieu of taxes and decreased interest earnings). The budgeted expenditures of the final amended budget increased by \$270,139 over the original budget, representing an increase of 6.8%. A total of \$200,826 or 74% of the expenditure net change from the original budget was in expenditure authorization associated with the new grants received after the original budget adoption.

The remaining amended budget expenditure authorization changes occurred as firm expenses were realized during the year (i.e. increased retirement, workers comp and unemployment insurance, and decreased consumer driven health insurance costs). Once uncertain costs and revenues were identified, personnel raises were authorized. As a result of uncertain program funding the original budget projected a decrease in fund balance of \$223,625, while the amended budget projected a decrease in fund balance of \$137,433, a 39% reduction as revenues and expenditures were identified.

With the difference between the State fiscal year (October 1 through September 30) and the County's fiscal year (January 1 through December 31) the budget must provide at year-end for uncertain or slow reimbursement on grants and programs that are run through the State. Actual results showed a decrease to fund balance of \$43,742.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2004, the County had \$12,344,205, net of accumulated depreciation, invested in a variety of capital assets including land, buildings, vehicles, construction in progress and infrastructure. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>
Land	\$ 166,118	\$ -
Buildings	4,944,301	-
Vehicles	26,497	-
Construction in progress	7,163,943	-
Vehicles	<u>43,346</u>	<u>-</u>
Total	<u>\$12,344,205</u>	<u>\$ -</u>

#### DEBT

At year-end the County had \$15,585,407 in bonds and loans outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	<u>Totals</u>
General Obligation Unlimited Bonds:			
Medical Care Facility	\$ 930,000	\$ -	\$ 930,000
Jail	2,220,000	-	2,220,000
Medical Care Facility - 2002	8,840,000	-	8,840,000
County Courthouse Complex – 2003	2,792,230	-	2,792,230
General Obligation Limited Bonds:			
County Courthouse Complex – 2003	394,000	-	394,000
US 2 Lift Station Improvements – 2004	120,000	-	120,000
Maintenance of Effort Obligation	<u>289,177</u>	<u>-</u>	<u>289,177</u>
Totals	<u>\$ 15,585,407</u>	<u>\$ -</u>	<u>\$ 15,585,407</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

There were additions of \$120,000 to long-term debt this fiscal year for the US 2 Lift Station Improvement Bonds. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$15,585,407 is well below statutory limits. There is no outstanding debt for business-type activities at year-end.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County Board of Commissioners and county management have considered many factors when it set and amends the 2005 fiscal year budget, and tax rates and fees that will be charged for services. One of these factors is the certainty of no State Revenue Sharing and the amount the County may transfer from the replacement Revenue Sharing Reserve Fund as well as the uncertainty of other changes in State Government which will effect the way programs and services are provided and funded. The County has eliminated general fund programs and cut back and reorganized staffing while increasing and establishing fees for services (i.e. cost of prosecution fees, which are ordered by the courts as well as implementing a cost of services fee structure if allowable by the State). The Board of Commissioners has reviewed its extensive property holdings, identified lakefront and riverfront properties (which were surveyed for lot division) that do not serve a public purpose and are offering these for sale to increase the tax base and fund capital asset improvements. The economy in the Iron County area has stabilized as to job growth or job loss. The cost of living in the Iron County area is well below the national and state average, but real estate values continue to climb and are now peaking on lake and river frontage. The growth of costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. As a small area rated employer, the County has experienced for five years annual premium increases of 20-30%. Since implementing consumer driven health care our annual health care costs have increased 9% in July of 2004 and 16% in July of 2005. These factors were taken into account when adopting the 2005 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, tax payers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Iron County Courthouse, 2 South Sixth Street, Suite 7, Crystal Falls, Michigan 49920-1413.

COUNTY OF IRON, MICHIGAN  
STATEMENT OF NET ASSETS  
December 31, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 196,530	\$ -	\$ 196,530
Unrestricted	5,949,100	1,033,935	6,983,035
Receivables:			
Accounts	44,139	35,415	79,554
State of Michigan	181,448	-	181,448
Current/delinquent property taxes	4,284,221	336,259	4,620,480
Interest	-	37,782	37,782
Notes	398,803	-	398,803
Prepays	25,090	-	25,090
Inventory	3,637	-	3,637
Total current assets	<u>11,082,968</u>	<u>1,443,391</u>	<u>12,526,359</u>
Noncurrent assets:			
Investments/assets limited to use	-	-	-
Delinquent taxes	-	54,438	54,438
Capital assets, net of accumulated depreciation	12,344,205	-	12,344,205
Other assets	-	-	-
Total noncurrent assets	<u>12,344,205</u>	<u>54,438</u>	<u>12,398,643</u>
Total assets	<u>\$ 23,427,173</u>	<u>\$ 1,497,829</u>	<u>\$ 24,925,002</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 945,092	\$ 1,232	\$ 946,324
Accrued payroll	79,303	297	79,600
Accrued interest	77,882	-	77,882
Deferred revenue	4,734,662	-	4,734,662
Internal balances	11,754	-	11,754
Other liabilities	-	-	-
Long-term liabilities due within one year:			
Compensated absences	50,233	-	50,233
Bonds/loans payable	630,000	-	630,000
Total current liabilities	<u>6,528,926</u>	<u>1,529</u>	<u>6,530,455</u>
Long-term liabilities:			
Compensated absences	150,697	-	150,697
Bonds/loans payable	14,955,407	-	14,955,407
Total long-term liabilities	<u>15,106,104</u>	<u>-</u>	<u>15,106,104</u>
Total liabilities	<u>21,635,030</u>	<u>1,529</u>	<u>21,636,559</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(2,832,025)	-	(2,832,025)
Restricted for expendable:			
Special revenue	73,224	-	73,224
Debt service	298,991	-	298,991
Capital projects	96,477	-	96,477
Unrestricted	4,155,476	1,496,300	5,651,776
Total net assets	<u>1,792,143</u>	<u>1,496,300</u>	<u>3,288,443</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 23,427,173</u>	<u>\$ 1,497,829</u>	<u>\$ 24,925,002</u>

See accompanying notes to the financial statements

Component Units		
Road Commission	District Health	Medical Care Facility
\$ -	\$ -	\$ -
104,778	503,524	364,283
154,040	250,299	808,799
937,718	756	-
-	-	-
-	-	-
-	-	-
-	14,156	-
588,391	-	155,247
<u>1,784,927</u>	<u>768,735</u>	<u>1,328,329</u>
-	-	609,459
-	-	-
6,245,283	39,499	7,440,425
21,467	-	-
<u>6,266,750</u>	<u>39,499</u>	<u>8,049,884</u>
<u>\$ 8,051,677</u>	<u>\$ 808,234</u>	<u>\$ 9,378,213</u>
\$ 171,438	\$ 61,406	\$ 437,943
64,468	108,235	280,979
-	-	26,834
213,428	-	40,669
-	-	-
172,556	-	212,841
76,916	46,182	689,043
336,748	-	127,902
<u>1,035,554</u>	<u>215,823</u>	<u>1,816,211</u>
230,750	138,546	-
2,145,000	-	3,633,293
<u>2,375,750</u>	<u>138,546</u>	<u>3,633,293</u>
<u>3,411,304</u>	<u>354,369</u>	<u>5,449,504</u>
3,763,535	39,499	3,679,230
-	-	-
-	-	233,150
-	-	-
876,838	414,366	16,329
<u>4,640,373</u>	<u>453,865</u>	<u>3,928,709</u>
<u>\$ 8,051,677</u>	<u>\$ 808,234</u>	<u>\$ 9,378,213</u>

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Units
<b>Primary government:</b>								
Governmental activities:								
Legislative	\$ 80,378	\$ -	\$ -	\$ -	\$ (80,378)	\$ -	\$ (80,378)	\$ -
Judicial system	896,487	2,500	-	-	(893,987)	-	(893,987)	-
General government	1,832,135	597,579	1,477,239	-	242,683	-	242,683	-
Public safety	1,592,873	343,849	45,859	-	(1,203,165)	-	(1,203,165)	-
Health and welfare	573,309	15,588	552,377	-	(5,344)	-	(5,344)	-
Cultural and recreation	586,300	347,075	169,879	-	(69,346)	-	(69,346)	-
Highway & transportation	151,403	2,797	86,585	-	(62,021)	-	(62,021)	-
Community development	290,388	122,075	-	132,564	(35,749)	-	(35,749)	-
Other	105,321	16,533	11,295	-	(77,493)	-	(77,493)	-
Interest on long-term debt	708,534	-	-	-	(708,534)	-	(708,534)	-
Total governmental activities	6,817,128	1,447,996	2,343,234	132,564	(2,893,334)	-	(2,893,334)	-
<b>Business-type activities:</b>								
Delinquent tax revolving/tax collections	46,962	200,558	-	-	-	153,596	153,596	-
Building inspection	69,082	64,673	-	-	-	(4,409)	(4,409)	-
Total business-type activities	116,044	265,231	-	-	-	149,187	149,187	-
Total primary government	6,933,172	1,713,227	2,343,234	132,564	(2,893,334)	149,187	(2,744,147)	-
<b>Component units:</b>								
Road Commission	3,041,156	1,388,511	3,165,585	1,091,417	-	-	-	2,604,357
Medical Care Facility	12,033,058	11,016,678	302,720	-	-	-	-	(713,660)
District Health Department	2,979,463	1,902,585	786,167	-	-	-	-	(290,711)
Total component units	\$ 18,053,677	\$ 14,307,774	\$ 4,254,472	\$ 1,091,417	-	-	-	1,599,986
<b>General revenues:</b>								
Property taxes, levied for general purpose					2,422,845	-	2,422,845	-
Property taxes, levied for debt service					1,043,991	-	1,043,991	-
State revenue sharing					77,464	-	77,464	-
Unrestricted investment earnings					16,675	11,807	28,482	18,511
Transfers					(5,528)	(3,001)	(8,529)	273,851
Total general revenues and transfers					3,555,447	8,806	3,564,253	292,362
Change in net assets					662,113	157,993	820,106	1,892,348
Net assets, beginning					1,130,030	1,338,307	2,468,337	7,130,599
Net assets, ending					\$ 1,792,143	\$ 1,496,300	\$ 3,288,443	\$ 9,022,947

See accompanying notes to the financial statements

**COUNTY OF IRON, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2004**

	<u>General Fund</u>	<u>Maintenance of Effort - Medicare</u>	<u>Revenue Sharing Reserve</u>	<u>Courthouse Construction</u>
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ 196,530
Unrestricted	552,955	820,728	730,543	8,591
Receivables:				
State of Michigan	142,503	-	-	-
Current property taxes	2,217,288	495,070	-	-
Accounts	4,449	-	-	-
Notes	-	-	-	-
Due from other funds	180,352	-	-	-
Inventory	-	-	-	-
Prepaid expense	25,090	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 3,122,637</u>	<u>\$ 1,315,798</u>	<u>\$ 730,543</u>	<u>\$ 205,121</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 110,977	\$ 57,165	\$ -	\$ 108,644
Due to other funds	14,755	1,986	141,406	-
Accrued payroll and related liabilities	69,796	-	-	-
Deferred revenue	2,217,288	495,070	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>2,412,816</u>	<u>554,221</u>	<u>141,406</u>	<u>108,644</u>
<b>FUND BALANCES</b>				
Unreserved:				
Designated	-	289,177	-	-
Undesignated	709,821	472,400	589,137	96,477
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>709,821</u>	<u>761,577</u>	<u>589,137</u>	<u>96,477</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 3,122,637</u>	<u>\$ 1,315,798</u>	<u>\$ 730,543</u>	<u>\$ 205,121</u>

See accompanying notes to the financial statements

2002 Medical Care Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 196,530
2,591,874	1,244,409	5,949,100
-	38,945	181,448
-	1,571,863	4,284,221
-	39,690	44,139
-	398,803	398,803
-	54,673	235,025
-	3,637	3,637
-	-	25,090
<u>\$ 2,591,874</u>	<u>\$ 3,352,020</u>	<u>\$ 11,317,993</u>
\$ 584,793	\$ 83,513	\$ 945,092
-	88,632	246,779
-	9,507	79,303
-	2,022,304	4,734,662
<u>584,793</u>	<u>2,203,956</u>	<u>6,005,836</u>
-	-	289,177
2,007,081	-	3,874,916
-	815,544	815,544
-	311,295	311,295
-	21,225	21,225
<u>2,007,081</u>	<u>1,148,064</u>	<u>5,312,157</u>
<u>\$ 2,591,874</u>	<u>\$ 3,352,020</u>	<u>\$ 11,317,993</u>



**COUNTY OF IRON, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**December 31, 2004**

Total fund balances for governmental funds \$ 5,312,157

Total net assets reported for governmental activities in the statement of net assets  
is different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. Those assets consist of:

Land	166,118	
Buildings	6,655,882	
Vehicles	46,497	
Construction in progress	7,163,943	
Infrastructure	50,029	
Accumulated depreciation	<u>(1,738,264)</u>	
Total capital assets		12,344,205

Long-term liabilities applicable to the County's governmental activities are not  
due and payable in the current period and accordingly are not reported as  
fund liabilities. Interest on long-term debt is not accrued in governmental  
funds, but rather is recognized as an expenditure when due. All liabilities,  
both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(77,882)	
Bonds/loans payable	(15,585,407)	
Compensated absences	<u>(200,930)</u>	<u>(15,864,219)</u>

Total net assets of governmental activities \$ 1,792,143

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	General Fund	Maintenance of Effort - Medicare	Revenue Sharing Reserve	Courthouse Construction
<b>REVENUES:</b>				
Taxes	\$ 2,422,845	\$ 487,678	\$ 730,543	\$ -
Licenses and permits	7,679	-	-	-
Federal sources	370,858	-	-	-
State sources	445,296	-	-	-
Charges for services	439,812	-	-	-
Interest and rentals	16,675	17,824	-	-
Other	130,877	-	-	7,799
Total revenues	<u>3,834,042</u>	<u>505,502</u>	<u>730,543</u>	<u>7,799</u>
<b>EXPENDITURES:</b>				
Legislative	80,378	-	-	-
Judicial system	848,282	-	-	-
General government	1,748,072	-	-	-
Public safety	1,084,274	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	43,986	-	-	-
Health and welfare	49,105	335,392	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	2,169,269
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	85,340	-	-	261
Total expenditures	<u>3,939,437</u>	<u>335,392</u>	<u>-</u>	<u>2,169,530</u>
Excess revenues (expenditures)	<u>(105,395)</u>	<u>170,110</u>	<u>730,543</u>	<u>(2,161,731)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds	-	-	-	-
Transfer in	242,406	-	-	-
Transfer out	(180,753)	(268,517)	(141,406)	-
Total other financing sources (uses)	<u>61,653</u>	<u>(268,517)</u>	<u>(141,406)</u>	<u>-</u>
Net change in fund balance	(43,742)	(98,407)	589,137	(2,161,731)
Fund balances - beginning of year	<u>753,563</u>	<u>859,984</u>	<u>-</u>	<u>2,258,208</u>
Fund balances - end of year	<u>\$ 709,821</u>	<u>\$ 761,577</u>	<u>\$ 589,137</u>	<u>\$ 96,477</u>

See accompanying notes to financial statements

2002 Medical Care Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,293,332	\$ 4,934,398
-	-	7,679
-	133,628	504,486
-	43,651	488,947
-	583,258	1,023,070
43,677	22,052	100,228
300	286,985	425,961
<u>43,977</u>	<u>2,362,906</u>	<u>7,484,769</u>
-	-	80,378
-	18,139	866,421
-	-	1,748,072
-	380,849	1,465,123
-	151,403	151,403
-	524,961	568,947
-	188,812	573,309
-	290,388	290,388
5,018,395	132,520	7,320,184
-	336,000	336,000
-	686,683	686,683
-	19,720	105,321
<u>5,018,395</u>	<u>2,729,475</u>	<u>14,192,229</u>
<u>(4,974,418)</u>	<u>(366,569)</u>	<u>(6,707,460)</u>
-	120,000	120,000
-	322,629	565,035
-	(99,886)	(690,562)
<u>-</u>	<u>342,743</u>	<u>(5,527)</u>
(4,974,418)	(23,826)	(6,712,987)
<u>6,981,499</u>	<u>1,171,890</u>	<u>12,025,144</u>
<u>\$ 2,007,081</u>	<u>\$ 1,148,064</u>	<u>\$ 5,312,157</u>

**IRON COUNTY, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

Net changes in fund balances - total governmental funds	\$ (6,712,987)
---	----------------

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$238,216) was less than capital outlays (\$7,301,081).	7,062,865
--	-----------

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:	
Bond principal	336,000

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(1,913)		
Accrued interest on bonds	(21,852)	(23,765)	
Changes in net assets of governmental activities		\$ 662,113	

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2004**

	Tax Revolving 2004	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 718,643	\$ 315,292	\$ 1,033,935
Receivables:			
Delinquent taxes	336,259	35,415	371,674
Interest	37,782	-	37,782
Total current assets	<u>1,092,684</u>	<u>350,707</u>	<u>1,443,391</u>
Noncurrent assets:			
Delinquent taxes	<u>41,560</u>	<u>12,878</u>	<u>54,438</u>
Total assets	<u><u>\$ 1,134,244</u></u>	<u><u>\$ 363,585</u></u>	<u><u>\$ 1,497,829</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 1,232	\$ 1,232
Accrued payroll	<u>-</u>	<u>297</u>	<u>297</u>
Total liabilities	<u>-</u>	<u>1,529</u>	<u>1,529</u>
<b>NET ASSETS</b>			
Unrestricted	<u>1,134,244</u>	<u>362,056</u>	<u>1,496,300</u>
Total net assets	<u>1,134,244</u>	<u>362,056</u>	<u>1,496,300</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,134,244</u></u>	<u><u>\$ 363,585</u></u>	<u><u>\$ 1,497,829</u></u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2004**

	Tax Revolving 2004	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
License and permits	\$ -	\$ 64,415	\$ 64,415
Charges for services	30,510	44,542	75,052
Penalties and interest on taxes	70,663	18,981	89,644
Other	41	36,079	36,120
	<u>101,214</u>	<u>164,017</u>	<u>265,231</u>
Total operating revenue			
	<u>101,214</u>	<u>164,017</u>	<u>265,231</u>
<b>OPERATING EXPENSES:</b>			
Salaries and fringes	-	27,288	27,288
Administrative fees	32	25,380	25,412
Other	-	63,344	63,344
	<u>32</u>	<u>116,012</u>	<u>116,044</u>
Total operating expenses			
	<u>32</u>	<u>116,012</u>	<u>116,044</u>
Operating income (loss)	<u>101,182</u>	<u>48,005</u>	<u>149,187</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest on investments	5,147	6,660	11,807
	<u>5,147</u>	<u>6,660</u>	<u>11,807</u>
Income (loss) before transfers and contributions	106,329	54,665	160,994
Transfer in	1,027,915	3,841	1,031,756
Transfer out	-	(1,034,757)	(1,034,757)
	<u>1,027,915</u>	<u>(1,034,757)</u>	<u>(1,034,757)</u>
Change in net assets	1,134,244	(976,251)	157,993
Total net assets - beginning	<u>-</u>	<u>1,338,307</u>	<u>1,338,307</u>
Total net assets - ending	<u>\$ 1,134,244</u>	<u>\$ 362,056</u>	<u>\$ 1,496,300</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2004**

	Tax Revolving 2004	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ -	\$ 64,415	\$ 64,415
Cash received for collection of taxes	735,740	416,086	1,151,826
Other receipts	41	39,700	39,741
Payments to suppliers	-	(41,141)	(41,141)
Payments for wages and related benefits	-	(27,382)	(27,382)
Cash payments for taxes	(1,050,168)	-	(1,050,168)
Other payments	(32)	(46,930)	(46,962)
Net cash provided (used) by operating activities	<u>(314,419)</u>	<u>\$ 404,748</u>	<u>\$ 90,329</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfer in	1,027,915	3,841	1,031,756
Operating transfer out	<u>-</u>	<u>(1,034,757)</u>	<u>(1,034,757)</u>
Net cash provided (used) by noncapital financing activities	<u>1,027,915</u>	<u>(1,030,916)</u>	<u>(3,001)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	<u>5,147</u>	<u>6,660</u>	<u>11,807</u>
Net increase (decrease) in cash and equivalents	718,643	(619,508)	99,135
Cash and equivalents, beginning of year	<u>-</u>	<u>934,800</u>	<u>934,800</u>
Cash and equivalents, end of year	<u>\$ 718,643</u>	<u>\$ 315,292</u>	<u>\$ 1,033,935</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 101,182	\$ 48,005	\$ 149,187
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in receivables	(415,601)	391,787	(23,814)
(Increase) decrease in due from other funds	-	39,224	39,224
Increase (decrease) in accounts payable	-	791	791
Increase (decrease) in other liabilities	-	(35,697)	(35,697)
Increase (decrease) in due to other funds	<u>-</u>	<u>(39,362)</u>	<u>(39,362)</u>
Total adjustments	<u>(415,601)</u>	<u>356,743</u>	<u>(58,858)</u>
Net cash provided by operating activities	<u>\$ (314,419)</u>	<u>\$ 404,748</u>	<u>\$ 90,329</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2004**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 1,040,542
Receivables:	
Accounts	782
Due from other governmental units	10,724
Due from other funds	<u>19,201</u>
Total assets	<u><u>\$ 1,071,249</u></u>
<b>LIABILITIES</b>	
Due to other funds	\$ 7,446
Undistributed taxes	792,104
Other liabilities	<u>271,699</u>
Total liabilities	<u><u>\$ 1,071,249</u></u>

See accompanying notes to financial statements



## COUNTY OF IRON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2004

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Iron was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Iron County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has one component unit for which the financial data has been blended with the primary government financial statements.

Economic Development Corporation – The Economic Development Corporation was incorporated as a non-profit corporation under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Iron County. The Economic Development Corporation Board of Directors is appointed by the Iron County Board of Commissioners. Complete financial statements of the Economic Development Corporation can be obtained directly from their administrative office when available.

Economic Development Corporation  
2 South Sixth, Suite 8  
Crystal Falls, Michigan 49920

## COUNTY OF IRON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2004

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Iron County Road Commission, Dickinson-Iron District Health Department, and the Iron County Medical Care Facility. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Iron County Road Commission – A three-member board governs The Road Commission, which are appointed by the County Board of Commissioners. The Road Commission may not issue debt or levy property taxes without the County's approval. The Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978 in the preparation and execution of its' annual general appropriations act. Complete financial statements at the Road Commission can be obtained directly from their administration office.

Iron County Road Commission  
800 Franklin Street  
Iron River, Michigan 49935

Dickinson-Iron District Health Department – The members of the governing board of the Dickinson-Iron District Health are jointly appointed by the Iron County Board of Commissioners and the Dickinson County Board of Commissioners. The Health Department's operations and capital budgets are approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office.

Dickinson-Iron District Health  
601 Washington, P.O. Box 516  
Stambaugh, Michigan 49964

Iron County Medical Care Facility – The Facility is a 200-bed, long-term medical care unit owned and operated by Iron County. The facility also operates a 25-bed assisted living unit. It is governed by the Iron County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the Iron County Board of Commissioners, and one appointed by the Michigan Governor. Further, the Iron County Board of Commissioners approves the budget for the Facility. Complete financial statements of the Facility can be obtained directly from their administrative office.

Iron County Medical Care Facility  
1523 W. US 2  
Crystal Falls, Michigan 49920

Joint Ventures – Iron County participates with Menominee and Dickinson Counties in operating Northpointe, a Mental Health Center. The Board was created to provide mental health services to the citizens of the three counties. Northpointe's Board of Directors was appointed by the respective county

## COUNTY OF IRON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2004

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

board of commissioners, and consist of six members from each county. Northpointe was formed to provide a full range of mental health services for residents located within the three counties as required and permitted by the Michigan Mental Health Code. Complete financial statements for the Northpointe Behavioral Healthcare Systems can be obtained directly from their administrative office.

Northpointe Behavioral Healthcare Systems  
715 Pyle Drive  
Kingsford, Michigan 49801

Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Iron:

Iron County Housing Corporation – The Housing Commission provides housing for the poor and the elderly with the use of federal (HUD) grants.

Iron County Chamber of Commerce – The Chamber of Commerce provides informational and economical development for tourism and business.

Iron County Community Hospitals, Inc. – The Community Hospitals, Inc. is a not-for-profit health system, which provides acute care and long-term care to the residents of Iron County, Michigan.

Accounting Policies - The accounting policies of the County of Iron conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes, state revenue sharing and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, state revenue sharing, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Maintenance of Effort – Medicare Fund – The Maintenance of Effort - Medicare Fund was established to account for the maintenance of effort activities of the Medical Care Facility.

Revenue Sharing Reserve Fund – Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves the gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

Courthouse Construction Fund – The Courthouse Construction Fund was established to account for the courthouse renovation project.

2002 Medical Care Facility Construction Fund – The 2002 Medical Care Facility Construction Fund was established to account for the construction of a 75-bed addition to the existing Facility.

The County reports the following as major proprietary funds:

Tax Revolving 2004 – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tax Revolving 2004 enterprise fund are charges to customers for interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of services and administrative expenses.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following January 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
- e. The County of Iron adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)  
General appropriations and functional groups  
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2004. All budget amendments are presented to the Finance Committee. In December, the Board of Commissioners approved all amendments to the annual budget.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments – Investments are carried at market with all dividends being reinvested.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is priced at cost as determined on the first-in, first-out method for the Youth Camp special revenue fund.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The 2004 taxable valuation of Iron County amounted to \$339,554,127 on which ad valorem taxes of 6.53 mills were levied for County operations, .4968 mills for Youth Camp, 1.458 mills for Maintenance of Effort – Medicare, .4579 mills for the 1992 Medicare Bond Retirement, .2645 mills for Senior Citizens Fund, .74 mills for Jail Bond Retirement, .60 mills for Courthouse Bond Retirement and 2.07 mills for the 2002 Medical Care Facility Bond Retirement.

The 2004 tax levy should raise approximately \$2,217,288 for County operating purposes, \$168,690 for the Youth Camp, \$495,070 for Maintenance of Effort – Medicare, \$155,482 for the 1992 Medicare Bond Retirement, \$89,812 for Senior Citizens Fund, \$251,270 for Jail Bond Retirement, \$203,732 for Courthouse Bond Retirement and \$702,877 for the 2002 Medical Care Facility Bond Retirement.

In 2004, the County was required by Public Act 357 of 2004 to set aside one-third of the December 2004 levy for County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County will be required to levy one-third of the property taxes for County operations and these funds will be used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County will levy two-thirds of the total number of mills allocated

# COUNTY OF IRON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for County operations, with \$730,543 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal 2006 operations. In July 2006, the County will levy two-thirds of the total number of mills allocated for County operations and the proceeds from this levy will fund County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$730,543 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills, which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$2,191,629 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$223,904 will represent the transfer to be made for the 2005 fiscal year. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2013 fiscal year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives, except for road equipment, which the sum-of-the-year's-digits is computed:

	<u>Years</u>
Buildings	20 - 50
Equipment	3 - 20
Vehicles	3 - 5
Infrastructure - Roads	8 - 30
Infrastructure - Bridges	12 - 50



**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B - BUDGET NON-COMPLIANCE**

Budget Violations - Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended December 31, 2004, the Maintenance of Effort - Medicare Fund expenditures exceeded total appropriations by \$49,909. The Revenue Sharing Reserve Fund did not have an adopted budget, and therefore had expenditures, which exceeded appropriations by \$141,406.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE C – DEFICIT FUND BALANCES**

At December 31, 2004, the Drug Court Grant Program, County Parks, and the Senior Citizens Fund had deficit fund balances in the amount of \$20,250, \$29,204 and \$356, respectively. A deficit fund balance is a violation of Public Act 275.

**NOTE D – CASH & EQUIVALENTS AND INVESTMENTS**

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings and deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - i. The purchase of securities on a when-issued or delayed delivery basis.
  - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
  - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE D – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 3; risk disclosures for deposits are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 605,611	\$ 607,507
Uninsured	7,614,496	8,400,479
Total cash	<u>\$ 8,220,107</u>	<u>\$ 9,007,986</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Restricted	\$ 196,530	
Unrestricted	6,983,035	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	1,040,542	
Total cash and equivalents	<u>\$ 8,220,107</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 104,778	
District Health Department	503,524	
Medical Care Facility	364,283	
Total cash and equivalents	<u>\$ 972,585</u>	
Assets limited as to use:		
Medical Care Facility	<u>\$ 609,459</u>	

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE D – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

The amount of federal depository insurance relating to component unit's cash and equivalents is undeterminable, as these funds are a portion of the entire County deposits.

Assets Limited as to Use:

Iron County Medical Care Facility – The composition of assets limited to use at December 31, 2004 consists of bank deposits and investments. These assets have been limited to use by the Iron County Family Independence Agency Board for future capital purchases and as required under the terms of the bond agreement for bond repayment.

Investments:

Iron County Medical Care Facility – The Facility routinely invests its surplus operating funds in money market and mutual funds. The funds generally invest in highly liquid U.S. governmental and agency obligations. Investments in money market and mutual funds are not insured or guaranteed by the U.S. government, but are registered with the SEC; however, management believes that credit risk related to these investments is minimal. Investments meet the criteria for Risk Category 2.

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

- Category 1: Insured or registered, or securities held by the County or its agents in Iron County's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparties or by its trust department or agent in Iron County's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparties or by its trust department or agent but not in Iron County's name.

**NOTE E – RESTRICTED CASH**

Cash has been restricted within the listed funds as follows:

GOVERNMENTAL ACTIVITIES:

Total restricted cash reported within the governmental activities are \$196,530 as of December 31, 2004.

Courthouse Construction Fund – has restricted cash in the amount of \$196,530, which represents funds available strictly for the courthouse renovation project.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE F – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at December 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		County Parks	\$ 35,000
		Revenue Sharing Reserve	141,406
		General Trust & Agency	<u>3,946</u>
General Fund	<u>\$ 180,352</u>	Subtotal	<u>180,352</u>
		General Fund	8,761
		Maintenance of Effort - Medicare	1,986
		Senior Citizens	357
		2002 MCF Debt Retirement	302
		Medicare Bond Retirement	598
		Jail Bond Retirement	1,074
		Courthouse Bond Retirement	<u>129</u>
General Trust & Agency	<u>13,207</u>	Subtotal	<u>13,207</u>
Flex Spending Trust	<u>5,994</u>	General Fund	<u>5,994</u>
Plat Book	<u>3,500</u>	General Trust and Agency	<u>3,500</u>
EDC/Industrial Aid	<u>51,173</u>	Youth Camp	<u>51,173</u>
Total	<u><u>\$ 254,226</u></u>	Total	<u><u>\$ 254,226</u></u>

Financial Statement Presentation:

Governmental Funds	\$ 235,025	Governmental Funds	246,780
Fiduciary Funds	<u>19,201</u>	Fiduciary Funds	<u>7,446</u>
Total	<u><u>\$ 254,226</u></u>		<u><u>\$ 254,226</u></u>

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE G – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance at 01/01/04	Additions	Disposals	Balance at 12/31/04
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 166,118	\$ -	\$ -	\$ 166,118
Construction in progress	2,051,778	5,112,165	-	7,163,943
Capital assets being depreciated:				
Buildings	4,486,351	2,169,531	-	6,655,882
Vehicles	27,112	19,385	-	46,497
Infrastructure	50,029	-	-	50,029
Total capital assets	<u>6,781,388</u>	<u>7,301,081</u>	<u>-</u>	<u>14,082,469</u>
Less accumulated depreciation:				
Buildings	1,491,218	220,363	-	1,711,581
Vehicles	7,000	13,000	-	20,000
Infrastructure	1,830	4,853	-	6,683
Total accumulated depreciation	<u>1,500,048</u>	<u>238,216</u>	<u>-</u>	<u>1,738,264</u>
Governmental activities capital assets, net	<u>\$ 5,281,340</u>	<u>\$ 7,062,865</u>	<u>\$ -</u>	<u>\$ 12,344,205</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 30,066
General government	63,047
Public safety	127,750
Cultural and recreation	<u>17,353</u>
Total governmental activities depreciation expense	<u>\$ 238,216</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE H - ROAD COMMISSION CAPITAL ASSETS**

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 01/01/04	Additions	Disposals	Balance at 12/31/04
Capital assets not being depreciated:				
Land and improvements	\$ 26,568	\$ -	\$ -	\$ 26,568
Construction in progress	-	18,584	-	18,584
Capital assets being depreciated:				
Buildings and improvements	2,798,270	432,355	-	3,230,625
Road equipment	3,294,594	167,123	129,365	3,332,352
Shop equipment	77,668	5,771	-	83,439
Engineers' equipment	20,719	-	-	20,719
Office equipment	61,557	5,498	-	67,055
Infrastructure - Roads	-	2,709,689	-	2,709,689
Infrastructure - Bridges	-	35,235	-	35,235
Total capital assets	<u>6,279,376</u>	<u>3,374,255</u>	<u>129,365</u>	<u>9,524,266</u>
Less accumulated depreciation:				
Buildings and improvements	300,064	83,697	-	383,761
Road equipment	2,604,327	282,740	154,970	2,732,097
Shop equipment	56,614	3,528	-	60,142
Engineers' equipment	14,319	1,197	-	15,516
Office equipment	54,718	2,496	-	57,214
Infrastructure - Roads	-	29,858	-	29,858
Infrastructure - Bridges	-	395	-	395
Total accumulated depreciation	<u>3,030,042</u>	<u>403,911</u>	<u>154,970</u>	<u>3,278,983</u>
Capital assets, net	<u>\$ 3,249,334</u>	<u>\$ 2,970,344</u>	<u>\$ (25,605)</u>	<u>\$ 6,245,283</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

**NOTE I - DISTRICT HEALTH CAPITAL ASSETS**

A summary of capital assets as of December 31, 2004 for the Dickinson-Iron District Health Department:

Capital assets:

Equipment	\$ 46,422
Less: Accumulated depreciation	<u>6,923</u>
Capital assets, net	<u>\$ 39,499</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE J – MEDICAL CARE FACILITY CAPITAL ASSETS**

A summary of capital assets as of December 31, 2004 for the Iron County Medical Care Facility:

	<u>01/01/04</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>12/31/04</u>	<u>Depreciable Life - Years</u>
Land and land improvements	\$ 445,760	\$ -	\$ -	\$ 445,760	
Building	9,098,610	-	(9,137)	9,089,473	10 - 25
Fixed equipment	1,044,869	-	(13,960)	1,030,909	10 - 40
Moveable equipment	1,493,124	-	23,097	1,516,221	4 - 20
Construction in progress	-	266,898	-	266,898	4 - 20
Total capital assets	<u>12,082,363</u>	<u>266,898</u>	<u>-</u>	<u>12,349,261</u>	
Less accumulated depreciation:					
Land and land improvements	408,854	17,988	(41,118)	385,724	
Building	2,114,303	258,377	41,118	2,413,798	
Fixed equipment	916,974	16,969	20,549	954,492	
Moveable equipment	<u>1,082,946</u>	<u>92,425</u>	<u>(20,549)</u>	<u>1,154,822</u>	
Total accumulated depreciation	<u>4,523,077</u>	<u>385,759</u>	<u>-</u>	<u>4,908,836</u>	
Net carrying amount	<u>\$ 7,559,286</u>	<u>\$ (118,861)</u>	<u>\$ -</u>	<u>\$ 7,440,425</u>	

During 2002, the voters of Iron County approved a tax millage to construct a 75-bed addition to the existing Facility. During 2003, the County issued bonds to finance the estimated \$9 million cost of the project and the voter approved millage proceeds will be used to pay off the debt. Construction began in 2003, and the project is expected to be completed in 2005. Upon completion of the project, the Facility will record on its books the costs being accumulated by the 2002 Medical Care Facility Construction Fund.



COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE K – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

Type of Debt	Balance 1/01/04	Additions	Deductions	Balance 12/31/04	Amounts Due Within One Year
Governmental activities:					
General Obligation Unlimited Tax Bonds:					
Medical Care Facility	\$ 1,010,000	\$ -	\$ 80,000	\$ 930,000	\$ 90,000
Jail	2,330,000	-	110,000	2,220,000	125,000
Medical Care Facility - 2002	8,935,000	-	95,000	8,840,000	355,000
County Courthouse Complex - 2003	2,837,230	-	45,000	2,792,230	50,000
General Obligation Limited Tax Bonds:					
County Courthouse Complex - 2003	400,000	-	6,000	394,000	7,000
US 2 Lift Station Improvements - 2004	-	120,000	-	120,000	3,000
Maintenance of Effort	286,377	2,800	-	289,177	-
Compensated absences	199,017	1,913	-	200,930	50,233
Total governmental activities long-term debt	<u>\$ 15,997,624</u>	<u>\$ 124,713</u>	<u>\$ 336,000</u>	<u>\$ 15,786,337</u>	<u>\$ 680,233</u>

Debt service requirements on long-term debt at December 31, 2004 are as follows:

For the Year Ending December 31	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2005	\$ 630,000	\$ 656,750
2006	661,000	639,731
2007	697,000	610,422
2008	732,000	580,177
2009	777,000	547,043
2010-2014	4,307,000	2,038,153
2015-2019	3,441,000	1,290,816
2020-2024	2,617,000	529,696
2025-2029	730,000	245,911
2030-2033	704,230	76,470
Total	<u>\$ 15,296,230</u>	<u>\$ 7,215,169</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE K – LONG-TERM DEBT (continued)**

**Governmental Activities:**

Medical Care Facility Bonds

Medical Care Facility Bonds consist of general obligation unlimited tax bonds. Proceeds from the bonds were used to construct a new wing onto the Iron County Medical Care Facility. Bond principal and interest requirements will be met by an ad valorem tax levy of .5 mills.

The bonds bear interest payable semi-annually on each December 1 and June 1 until maturity. Interest rates vary from 3.60 percent to 6.60 percent. Bonds are due serially from June 1, until June 1, 2012.

Bonds maturing prior to June 1, 2005 shall not be subject to redemption prior to maturity. Bonds maturing on or after June 1, 2005 shall be subject to redemption prior to maturity at the option of the County, in any order, in whole or in part on any interest payment date on or after June 1, 2004. Bonds called for redemption shall be redeemed at par, plus accrued interest to the date fixed for redemption, plus a premium, if any, expressed as a percentage of par as follows:

- 2% if redeemed on or after June 1, 2004, but before June 1, 2007; or
- 1% if redeemed on or after June 1, 2007, but before June 1, 2010; or
- Bonds redeemed on or after June 1, 2010 shall be redeemed at par.

Jail Bonds, Series 1995

Jail Bonds, Series 1995 are general obligation unlimited tax bonds that were issued by the County to construct and equip the County jail facility. The bonds are payable semi-annually on May 1 and November 1 until maturity and bear interest at varying rates from 5.0% to 8.0%. Bonds are due serially from May 1, 1996 until May 1, 2015.

Bonds maturing prior to May 1, 2007 shall not be subject to redemption prior to maturity. Bonds maturing on or after May 1, 2007 shall be subject to redemption prior to maturity at the option of the County, in any order, in whole or in part on any interest payment date on or after May 1, 2006. Bonds called for redemption shall be redeemed at par, plus accrued interest to the date fixed for redemption, plus a premium, if any, expressed as a percentage of par as follows:

- 2% if redeemed on or after May 1, 2006, but before May 1, 2009; or
- 1% if redeemed on or after May 1, 2009, but before May 1, 2012; or
- Bonds redeemed on or after May 1, 2012 shall be redeemed at par

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE K – LONG-TERM DEBT (continued)**

Medical Care Facility Bonds - 2002

Medical Care Facility Bonds, 2002 are general obligation unlimited tax bonds that were issued by the County for the purpose of acquiring, constructing and equipping a 71-bed addition to, and renovating and equipping portions of the County's Medical Care Facility. The bonds are payable semi-annually on June 1 and November 29 until maturity, and bear interest at varying rates from 2.0% to 4.6%. Bonds are due serially from June 1, 2003 until June 1, 2022.

The bonds maturing in the years 2003 to 2012, inclusive, shall not be subject to optional redemption prior to maturity. The bonds or portions of bonds in multiples of \$5,000 maturing in the years 2013 to 2022, inclusive, shall be subject to redemption at the option of the County in such order of maturity as the County shall determine and within a single maturity by lot on any interest payment date on or after June 1, 2012 at par plus accrued interest to the date fixed for redemption.

Bonds maturing on June 1, 2022 (the "Term Bonds") are subject to mandatory redemption by the County at par plus accrued interest to the date of redemption on the dates and in the principal amounts set forth in the following table. The Term Bonds to be mandatorily redeemed shall be selected by lot in such a manner as shall be determined by Fifth Third Bank, Michigan, Grand Rapids, Michigan ("the Transfer Agent").

Term Bond Due June 1, 2002

Redemption	
<u>June 1</u>	<u>Amount</u>
2020	\$ 630,000
2021	660,000
2022	690,000

2003 County Courthouse Complex Tax Bonds

2003 County Courthouse Complex Bonds consist of general obligation unlimited tax bonds issued in the amount of \$2,837,230 for the purpose of paying part of the cost to acquire, construct and equip renovations and improvements to the County Courthouse Complex. Bond principal and interest requirements will be met by an ad valorem tax levy of .6 mills.

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004, and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter, until August 1, 2033.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE K – LONG-TERM DEBT (continued)**

**2003 County Courthouse Complex Limited Tax Bonds**

2003 County Courthouse Complex Limited Tax Bonds consist of general obligation limited tax bonds issued in the amount of \$400,000 for the purpose of paying part of the costs to acquire, construct and equip renovations and improvements to the County Courthouse Complex.

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004, and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter until August 1, 2033.

**2004 US 2 Lift Station Improvement Limited Tax Bonds**

2004 US 2 Lift Station Bonds consist of general obligation limited tax bonds issued in the amount of \$120,000 for the purpose of paying all or part of the costs of capital improvements consisting generally of improvements to the US 2 Lift Station at the Bristol Pump Station that serve the Iron County Medical Care Facility.

These bonds bear an interest rate of 5.24%, with interest payable on February 12, 2005, and semi-annually thereafter, provided that the principal payments required herein to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made by August 12, 2005, and annually thereafter until August 12, 2024.

**Maintenance of Effort Obligation**

Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. M.O.E. is being paid by the County out of voter approved millage funds.

**Compensated Absences:**

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$200,930 are reported under the governmental activities in the Statement of Net Assets.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE L - ROAD COMMISSION LONG-TERM DEBT**

**Bonds Payable:**

Michigan Transportation Fund Bonds, Series 2003 – On January 1, 2003, the County of Iron issued Michigan Transportation Fund Bonds in the amount of \$2,300,000, for the purpose of acquiring, constructing, and furnishing and equipping a new county road commission central garage complex for use by the Iron County Road Commission. The issue requires semi-annual payments each February 1<sup>st</sup> and August 1<sup>st</sup> for a term of 30 years with a variable interest rate between 3.75% and 5.00%. February 1<sup>st</sup> payments consist of interest only and August 1<sup>st</sup> payments consist of principal and interest. Final payment is due August 1, 2032.

**Leases Payable:**

Harco Leasing Company, Inc. – In 2003, the Iron County Board of Road Commissioners entered into lease purchase agreement to finance the acquisition of two new International Quad Axle Dump Trucks. The agreement requires semi-annual payments of \$57,649 at 3.25% interest on the 21<sup>st</sup> of January and July with final payment due on January 21, 2005.

Caterpillar Finance Services– In 2000, the Iron County Board of Road Commissioners entered into a lease purchase agreement to finance the acquisition of two new loaders. The agreement requires annual payments of \$39,880 at 6.25% interest on September 18<sup>th</sup>, and a final payment of \$249,881 is due on September 18, 2005.

**Compensated Absences:**

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The annual vacation benefits earned by each employee are credited at the beginning of the year. An employee who is eligible for vacation leave in excess of twenty (20) days, may, with the consent of the employer, take pay at the employee's regular rate of pay for time in excess of twenty (20) days in-lieu-of vacation leave.

Employees may carry over a maximum of ten (10) days vacation into the next year. An employee leaving the services of the Road Commission will be paid all unused vacation carried over to January 1<sup>st</sup> up to a maximum of ten (10) days, plus any vacation earned, on a prorated basis to the end of the month of separation, in accordance with the vacation policy in effect at this time.

Road Commission employment policies provide that each full-time employee shall earn sick leave with pay at the rate of eight (8) hours for each month of employment in which the employee is compensated for at least eighteen (18) days, with unlimited accumulation. Upon permanent separation from employment, employees shall be paid for all of their accumulated sick leave at the employee's prevailing rate of pay up to a maximum of ninety (90) days. In the event their balance at time of retirement is over ninety (90) days, all accumulated excess of the ninety (90) days will be paid at the rate of fifty percent (50%). The total sick and vacation leave amount of \$307,666 is recorded in the statement of net assets as a liability.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE L - ROAD COMMISSION LONG-TERM DEBT (continued)**

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 1/1/2004	Additions	Deductions	Balance 12/31/2004
Bonds payable:				
Road Commission Facility				
Project	\$ 2,235,000	\$ -	\$ 45,000	\$ 2,190,000
Leases payable:				
(2) International Quad Axle Dump Trucks	167,359	-	110,652	56,707
Wheel Loader #380	132,503	-	13,394	119,109
Wheel Loader #381	126,310	-	10,378	115,932
Compensated Absences	281,244	26,422	-	307,666
Total long-term debt	<u>\$ 2,942,416</u>	<u>\$ 26,422</u>	<u>\$ 179,424</u>	<u>\$ 2,789,414</u>

Debt service requirements on long-term debt at December 31, 2004 are as follows:

For the Year Ending December 31	County Road Commission			
	Bonds Payable		Leases Payable	
	Principal	Interest	Principal	Interest
2005	\$ 45,000	\$ 98,635	\$ 291,748	\$ 307,529
2006	45,000	96,948	-	-
2007	45,000	95,260	-	-
2008	50,000	93,573	-	-
2009	50,000	91,698	-	-
2010-2014	275,000	428,990	-	-
2015-2019	335,000	368,850	-	-
2020-2024	425,000	286,538	-	-
2025-2029	530,000	177,375	-	-
2030-2032	390,000	39,500	-	-
Total	<u>\$ 2,190,000</u>	<u>\$ 1,777,367</u>	<u>\$ 291,748</u>	<u>\$ 307,529</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE M – MEDICAL CARE FACILITY LONG-TERM DEBT**

To finance the assisted-living project, the Facility entered into a capital lease arrangement with Iron County. The Facility will make payments to the County equal to the required principal and interest payments on the bonds acquired by the County. The bond yield currently is 5.44%, with a final maturity on November 14, 2022. Principal and interest are due semiannually on May 14 and November 14.

Long-term debt activity for the year ended December 31, 2004 was as follows:

	<u>1/1/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2004</u>
Bonds Payable	<u>\$ 3,882,256</u>	<u>\$ -</u>	<u>\$ (121,061)</u>	<u>\$ 3,761,195</u>

The following is a schedule of bond and loan principal and interest, and future minimum lease payments as of December 31, 2004:

<u>Fiscal Year</u>	<u>Bonds Payable</u>	<u>Bond Interest</u>
2005	\$ 127,902	\$ 202,781
2006	134,880	195,804
2007	142,316	188,366
2008	150,084	180,599
2009	158,504	172,180
2010-2014	927,262	588,894
2015-2019	1,205,142	448,278
2020-2022	<u>915,105</u>	<u>95,395</u>
Total	<u>\$ 3,761,195</u>	<u>\$ 2,072,297</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE N - OPERATING TRANSFERS IN AND OUT**

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 242,406	\$ 180,753
Maintenance of Effort - Medicare Fund	-	268,517
Budget Stabilization Fund	-	76,000
Revenue Sharing Reserve Fund	-	141,406
Child Care Fund	75,396	-
Drug Court Grant	1,820	-
Law Library	17,785	-
Plat Book Fund	-	12,000
Airport Fund	122	-
Alcohol Assessment	-	1,820
Veterans Trust Fund	53,246	-
Fairgrounds Fund	2,500	-
EDC/Revolving Loan Fund	-	10,000
Courthouse Debt Retirement - 2003	6,370	-
2003 Road Commission Building Debt	145,390	-
Courthouse Repair Fund	20,000	-
2003 Road Commission Building Construction	-	66
Enterprise Funds:		
Construction Code Fund	-	3,000
Tax Revolving 1999	-	42,915
Tax Revolving 2000	-	40,097
Tax Revolving 2001	-	45,588
Tax Revolving 2002	-	131,743
Tax Revolving 2003	-	771,414
Tax Revolving 2004	1,027,915	-
Tax Revolving Administration	3,841	-
Component Units:		
Road Commission	-	145,323
District Health	5,334	-
Medical Care Facility	268,517	-
Total	<u>\$ 1,870,642</u>	<u>\$ 1,870,642</u>



## COUNTY OF IRON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2004

#### NOTE O - RETIREMENT PLANS

##### **General County**

Plan Description – The County of Iron participates in a defined benefit contributory retirement plan administered by the Municipal Employee's Retirement System (MERS). The retirement plan covers substantially all full-time and limited part-time employees. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees. All full-time employees of the County participate in the system.

MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

General County Retirement Plan – The General County offers its various departments either benefit B-1, B-2 or B-3. Under benefit B-1 employees shall receive 1.7% of their three-year final average compensation (FAC); under benefit B-2 employees shall receive 2.0% of their three-year FAC; and under benefit B-3 provides for employees to receive 2.25% of FAC, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Treasurer's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.5% per year, plus a percentage based on age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE O - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/03)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 5,252,302
Terminated employees not yet receiving benefits	436,103
Non-vested terminated employees	30,906
Current Employees:	
Accumulated employee contributions including allocated investment income	1,226,730
Employer financed	8,420,353
	<hr/>
Total actuarial accrued liability	15,366,394
	<hr/>
Net assets available for benefits, at actuarial value (market value is \$11,796,792 )	12,919,386
	<hr/>
Unfunded (overfunded) actuarial accrued liability	\$ 2,447,008

**GASB 27 INFORMATION (as of 12/31/03)**

Fiscal year beginning	January 1, 2005
Annual required contribution (ARC)	\$ 636,312
Amortization factor used	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 138,628	100%	-
2002	161,063	100%	-
2003	162,957	100%	-

The General County was required to contribute \$164,988 for the year ended December 31, 2004. Payments were based on contribution calculations made by MERS.

# COUNTY OF IRON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004

### NOTE O - RETIREMENT PLANS (continued)

#### Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 12,592,681	\$ 11,116,040	\$ 1,476,641	88%	\$ 5,452,535	27%
2002	13,573,832	11,569,884	2,003,948	85%	6,267,699	27%
2003	15,366,394	12,919,386	2,447,008	84%	8,042,254	30%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

#### **County Road Commission - Component Unit**

Plan Description – The Iron County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2003.

The Road Commission offers its participants either benefits B-3 or B-4. Under benefit B-3, employees shall receive 2.5% of their five-year final average compensation with a maximum benefit of 80% of final average compensation. Under benefit B-4, employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirement vary by plan division. The most recent actuarial report gives the details of the plan and a copy is on file at the Road Commission office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE O - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/03)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 4,327,350
Terminated employees not yet receiving benefits	91,313
Current Employees:	
Accumulated employee contributions including allocated investment income	12,827
Employer financed	<u>4,063,127</u>
Total actuarial accrued liability	8,494,617
Net assets available for benefits, at actuarial value (market value is \$5,610,784 )	<u>4,877,534</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 3,617,083</u></u>

**GASB 27 INFORMATION (as of 12/31/03)**

Fiscal year beginning	October 1, 2005
Annual required contribution (ARC)	\$ 305,460
Amortization factor used - underfunded liabilities (32 years)	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 32 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 249,140	100%	\$ -
2002	262,089	100%	-
2003	269,972	100%	-

The Road Commission was required to contribute \$305,609 for the year ended December 31, 2004. Payments were based on contributions calculations made by MERS.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE O - RETIREMENT PLANS (continued)**

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 4,784,854	\$ 7,727,134	\$ (2,942,280)	62%	\$ 1,030,354	286%
2002	4,737,919	8,001,922	(3,264,003)	59%	1,052,519	310%
2003	4,877,534	8,494,617	(3,617,083)	57%	1,099,393	329%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**District Health - Component Unit**

The Dickinson-Iron District Health Department is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The Health Department offers either benefit B-2 or B-4. Under benefit B-2, employees shall receive 2.0% of their three-year final average compensation (FAC). Under B-4, employees shall receive 2.5% of FAC, with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE O - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/03)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 1,197,626
Terminated employees not yet receiving benefits	432,080
Non-vested terminated employees	11,682
Current Employees:	
Accumulated employee contributions including allocated investment income	210,087
Employer financed	<u>3,285,166</u>
Total actuarial accrued liability	5,136,641
Net assets available for benefits, at actuarial value (market value is \$4,106,163)	<u>4,496,909</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 639,732</u></u>

**GASB 27 INFORMATION (as of 12/31/03)**

Fiscal year beginning	January 1, 2005
Annual required contribution (ARC)	\$ 184,128
Amortization factor used	0.053632

Contributions Required and Contributions Made – MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

<u>Annual Pension Cost</u> <u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contribution</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2001	\$ 73,467	100%	-
2002	120,052	100%	-
2003	97,915	100%	-

The Health Department was required to contribute \$163,769 for the year ended December 31, 2004. Payments are based on contribution calculations made by MERS.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE O - RETIREMENT PLANS (continued)**

Aggregated Accrued Liabilities – Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 3,987,994	\$ 4,081,396	\$ 93,402	98%	\$ 1,581,503	6%
2002	4,169,906	4,588,668	418,762	91%	1,719,738	24%
2003	4,496,909	5,136,641	639,732	88%	1,644,573	39%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**Medical Care Facility – Component Unit**

The Medical Care Facility participates with the County in the Michigan Municipal Employees' Retirement System (MERS). MERS is an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability, and death benefits to plan members and their beneficiaries.

The obligation to contribute to, and maintain, the System for these employees was established by negotiations with the County's competitive bargaining units and requires a contribution from the employee of 3%. The Facility's contribution requirement is actuarially determined and is equal to the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 10 years.

Facility contributions for the plan years ended December 31, 2004, 2003, and 2002 were \$457,425, \$451,426, and \$399,765, respectively.

**NOTE P - CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE Q - RISK MANAGEMENT**

The County of Iron participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000 per person and \$250,000 per occurrence. The limits on vehicle physical damage are \$1,500,000. The retention limits for property coverage are subject to a \$250 deductible. Some members have individual retention levels different than the ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the member's self-insured retention. The member's self-insured retention and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the member's self-insured retention and the Limits of Coverage.

Iron County agrees to maintain, at all times, on account with MMRMA, sufficient funds to pay its self-insured retention obligations. The member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the member's self-insured retention.

At December 31, 2004, the County had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage from the prior year.

**NOTE R - SUBSEQUENT EVENTS**

On February 10, 2005, Iron County issued General Obligation Unlimited Tax Refunding Bonds, Series 2005, in the amount of \$2,960,000. Proceeds from the sale of the bonds will be used to refund the General Obligation Unlimited Tax Medical Care Facility Bonds, Series 1992, and the General Obligation Unlimited Tax Jail Bonds, Series 1995.



**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE S – POST-RETIREMENT BENEFITS**

**Iron County Road Commission**

Iron County Road Commission provides post-employment health care benefits and life insurance benefits, in accordance with the provisions of Article 49, Section 3, and Article 50, Section 2 of the union agreement for all retirees who were hired by the Road Commission, and retired under MERS. The post-employment health care benefits provides that the Road Commission will continue to pay the monthly hospitalization insurance plan premium for the retiree only, without the specific drug and dental program, provided the retiree makes application for the Medicare card, prior to the effective date of Medicare coverage. The post-employment life insurance benefit provides that the Road Commission will pay for \$8,000 of term life insurance coverage for each retiree. Currently, 30 retirees are eligible for these post-employment benefits. The Road Commission's policy is to finance these benefits on a pay-as-you-go basis. During the year 2004, expenditures of \$114,645 were recognized for post-employment health care benefits, and \$12,753 for life insurance benefits.

**Medical Care Facility**

The Medical Care Facility provides post-retirement health care benefits to all employees who retire from the Facility on or after attaining age 62 with at least 10 years of service. The Facility pays health insurance premiums for the retiree until they reach age 65. Employees of Crystal Manor who retired prior to July 1, 2002 have their health insurance paid until death. Currently, 13 retirees meet these eligibility requirements. Expenses for post-retirement health care benefits are recognized monthly as premiums are paid. Approximately \$80,000 of costs pertaining to post-retirement benefits were included in the Facility's health insurance expense for the year ended December 31, 2004.

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 2,368,801	\$ 2,421,897	\$ 2,422,845	\$ 948
License and permits	6,700	8,300	7,679	(621)
Federal sources	309,204	455,359	370,858	(84,501)
State sources	637,703	666,469	445,296	(221,173)
Charges for services	424,680	492,136	439,812	(52,324)
Interest and rentals	40,000	12,723	16,675	3,952
Other	108,820	142,401	130,877	(11,524)
Total revenues	3,895,908	4,199,285	3,834,042	(365,243)
<b>EXPENDITURES:</b>				
Legislative:				
Board of commissioners	90,900	90,900	80,378	10,522
Judicial system:				
Trial court	493,508	497,662	467,423	30,239
Friend of court	98,893	100,419	95,093	5,326
Jury commission	550	550	514	36
Prosecuting attorney	160,462	164,185	166,646	(2,461)
Assistant prosecutor	133,080	126,602	118,606	7,996
General government:				
Elections	35,640	35,313	23,715	11,598
Commissioner's assistant	95,877	97,615	96,107	1,508
Clerk	108,104	112,965	110,878	2,087
Equalization	110,840	111,972	105,108	6,864
Register of deeds	79,728	80,353	76,055	4,298
Insurance and bonds	644,000	603,142	594,889	8,253
General county	402,752	447,690	413,941	33,749
Microfilm project	38,318	38,318	34,823	3,495
Treasurer	129,258	129,883	125,181	4,702
Courthouse and grounds	107,425	107,424	102,995	4,429
Remonumentation	58,232	58,233	58,232	1
Animal control	200	494	494	-
Drain commissioner	7,078	7,131	3,672	3,459
Repairs and maintenance	-	1,982	1,982	-
Public safety:				
Civil defense	20,959	21,666	21,665	1
Sheriff's administration	276,664	280,263	273,221	7,042
Road patrol	38,896	38,983	33,159	5,824
Marine patrol	7,279	7,279	3,235	4,044
Snowmobile	8,346	8,346	1,682	6,664
ORV	11,600	11,600	5,865	5,735
Jail	592,800	627,391	614,454	12,937
Mine inspector	10,062	10,188	7,646	2,542
State homeland security	-	183,135	96,198	86,937
Animal control	44,217	28,923	27,149	1,774
Cultural and recreation:				
Cooperative extension services	43,647	43,645	43,986	(341)
Health and welfare:				
Medical examiner	14,000	14,000	9,625	4,375
Economic development	41,592	42,366	39,480	2,886
Other:				
Appropriations	56,913	73,310	65,355	7,955
Other	-	28,031	19,985	8,046
Total expenditures	3,961,820	4,231,959	3,939,437	292,522
Excess revenues (expenditures)	(65,912)	(32,674)	(105,395)	(72,721)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	98,000	109,200	242,406	133,206
Transfer out	(255,713)	(213,959)	(180,753)	33,206
Total other financing sources (uses)	(157,713)	(104,759)	61,653	166,412
Net changes in fund balances	(223,625)	(137,433)	(43,742)	93,691
Fund balances - beginning	753,563	753,563	753,563	-
Fund balances - ending	\$ 529,938	\$ 616,130	\$ 709,821	\$ 93,691

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**MAINTENANCE OF EFFORT - MEDICARE**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 475,169	\$ 475,169	\$ 487,678	\$ 12,509
Interest and rentals	26,000	26,000	17,824	(8,176)
Total revenues	501,169	501,169	505,502	4,333
<b>EXPENDITURES:</b>				
Health and welfare	354,000	354,000	335,392	18,608
Excess revenues (expenditures)	147,169	147,169	170,110	22,941
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(200,000)	(200,000)	(268,517)	(68,517)
Net changes in fund balances	(52,831)	(52,831)	(98,407)	(45,576)
Fund balances - beginning	859,984	859,984	859,984	-
Fund balances - ending	<u>\$ 807,153</u>	<u>\$ 807,153</u>	<u>\$ 761,577</u>	<u>\$ (45,576)</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**REVENUE SHARING RESERVE FUND**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ 730,543	\$ 730,543
<b>EXPENDITURES:</b>				
Other	-	-	-	-
Excess revenues (expenditures)	-	-	730,543	730,543
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	-	-	(141,406)	(141,406)
Total other financing sources	-	-	(141,406)	(141,406)
Net changes in fund balances	-	-	589,137	589,137
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 589,137	\$ 589,137

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**COURTHOUSE CONSTRUCTION FUND**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
State sources	\$ 100,000	\$ -	\$ -	\$ -
Other	-	7,799	7,799	-
Total revenues	100,000	7,799	7,799	-
<b>EXPENDITURES:</b>				
Capital outlay	1,718,615	2,357,868	2,169,269	188,599
Other	-	261	261	-
Total expenditures	1,718,615	2,358,129	2,169,530	188,599
Excess revenues (expenditures)	(1,618,615)	(2,350,330)	(2,161,731)	188,599
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds	1,618,615	2,350,330	-	(2,350,330)
Net changes in fund balances	-	-	(2,161,731)	(2,161,731)
Fund balances - beginning	2,258,208	2,258,208	2,258,208	-
Fund balances - ending	\$ 2,258,208	\$ 2,258,208	\$ 96,477	\$ (2,161,731)

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**2002 MCF CONSTRUCTION FUND**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ 60,000	\$ 30,000	\$ 43,677	\$ 13,677
Other	-	-	300	300
Total revenues	60,000	30,000	43,977	13,977
<b>EXPENDITURES:</b>				
Capital outlay	3,955,259	7,226,125	5,018,395	2,207,730
Excess revenues (expenditures)	(3,955,259)	(7,196,125)	(4,974,418)	2,221,707
Fund balances - beginning	6,981,499	6,981,499	6,981,499	-
Fund balances - ending	\$ 3,026,240	\$ (214,626)	\$ 2,007,081	\$ 2,221,707

See accompanying notes to financial statement

**COUNTY OF IRON, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2004**

	Special Revenue Funds			
	Family Counseling	County Parks	Friend of Court Incentive	Probation Surcharge
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 9,415	\$ 7,390	\$ 1,500	\$ 3,187
Receivables:				
State of Michigan	-	-	-	-
Accounts	-	-	-	-
Current property taxes	-	-	-	-
Notes	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,415</u>	<u>\$ 7,390</u>	<u>\$ 1,500</u>	<u>\$ 3,187</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 579	\$ -	\$ -
Due to other funds	-	35,000	-	-
Deferred revenue	-	-	-	-
Accrued payroll	-	1,015	-	-
	<u>-</u>	<u>1,015</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>36,594</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	9,415	(29,204)	1,500	3,187
	<u>9,415</u>	<u>(29,204)</u>	<u>1,500</u>	<u>3,187</u>
Total liabilities and fund balances	<u>\$ 9,415</u>	<u>\$ 7,390</u>	<u>\$ 1,500</u>	<u>\$ 3,187</u>

See accompanying notes to financial statements

Special Revenue Funds

Register of Deeds Automation	Budget Stabilization	Enhanced 911	Drug Forfeiture - Prosecutor	Drug Forfeiture - Sheriff	Law Library	Drug Court Grant Program
\$ 21,266	\$ 76,000	\$ 462,504	\$ 3,359	\$ 2,987	\$ 1,171	\$ (56,517)
-	-	-	-	-	-	38,945
-	-	39,162	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 21,266</u>	<u>\$ 76,000</u>	<u>\$ 501,666</u>	<u>\$ 3,359</u>	<u>\$ 2,987</u>	<u>\$ 1,171</u>	<u>\$ (17,572)</u>
\$ -	\$ -	\$ 8,227	\$ -	\$ -	\$ 1,110	\$ 1,474
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,410	-	-	-	1,204
-	-	13,637	-	-	1,110	2,678
21,266	76,000	488,029	3,359	2,987	61	(20,250)
<u>\$ 21,266</u>	<u>\$ 76,000</u>	<u>\$ 501,666</u>	<u>\$ 3,359</u>	<u>\$ 2,987</u>	<u>\$ 1,171</u>	<u>\$ (17,572)</u>

See accompanying notes to financial statements



**COUNTY OF IRON, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2004**

	Special Revenue Funds			
	Senior Citizens	Alcohol Assessment	Child Care	Veterans Trust
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ -	\$ 13,958	\$ 43,195	\$ 10,267
Receivables:				
State of Michigan	-	-	-	-
Accounts	-	-	-	-
Current property taxes	89,812	-	-	-
Notes	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 89,812</u>	<u>\$ 13,958</u>	<u>\$ 43,195</u>	<u>\$ 10,267</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 56	\$ 710
Due to other funds	356	-	-	-
Deferred revenue	89,812	-	-	-
Accrued payroll	-	-	1,040	838
	<u>-</u>	<u>-</u>	<u>1,040</u>	<u>838</u>
Total liabilities	<u>90,168</u>	<u>-</u>	<u>1,096</u>	<u>1,548</u>
Fund balances:				
Unreserved:				
Undesignated	(356)	13,958	42,099	8,719
	<u>(356)</u>	<u>13,958</u>	<u>42,099</u>	<u>8,719</u>
Total liabilities and fund balances	<u>\$ 89,812</u>	<u>\$ 13,958</u>	<u>\$ 43,195</u>	<u>\$ 10,267</u>

See accompanying notes to financial statements

Special Revenue Funds

Public Act 302	Plat Book	Sheriff's Department Equipment	Courthouse Repair	CDBG Grant	Youth Camp	Forest Resources
\$ 4,396	\$ 5,189	\$ 6,541	\$ 711	\$ 56,322	\$ 131,816	\$ 13,282
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	168,690	-
-	-	-	-	-	-	-
-	3,500	-	-	-	-	-
-	-	-	-	-	3,637	-
<u>\$ 4,396</u>	<u>\$ 8,689</u>	<u>\$ 6,541</u>	<u>\$ 711</u>	<u>\$ 56,322</u>	<u>\$ 304,143</u>	<u>\$ 13,282</u>
\$ -	\$ -	\$ -	\$ -	\$ 56,278	\$ 5,000	\$ -
-	-	-	-	-	51,173	-
-	-	-	-	-	169,155	-
-	-	-	-	-	-	-
-	-	-	-	56,278	225,328	-
4,396	8,689	6,541	711	44	78,815	13,282
<u>\$ 4,396</u>	<u>\$ 8,689</u>	<u>\$ 6,541</u>	<u>\$ 711</u>	<u>\$ 56,322</u>	<u>\$ 304,143</u>	<u>\$ 13,282</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2004**

	<u>Special Revenue Funds</u>		
	<u>Fairgrounds</u>	<u>EDC/ Revolving Loan</u>	<u>Airport</u>
<b>ASSETS</b>			
Cash and equivalents:			
Unrestricted	\$ 3,959	\$ 77,309	\$ 10,579
Receivables:			
State of Michigan	-	-	-
Accounts	-	528	-
Current property taxes	-	-	-
Notes	-	398,803	-
Due from other funds	-	51,173	-
Inventory	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,959</u>	<u>\$ 527,813</u>	<u>\$ 10,579</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 10,079
Due to other funds	-	-	-
Deferred revenue	-	449,976	-
Accrued payroll	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>449,976</u>	<u>10,079</u>
Fund balances:			
Unreserved:			
Undesignated	<u>3,959</u>	<u>77,837</u>	<u>500</u>
Total liabilities and fund balances	<u>\$ 3,959</u>	<u>\$ 527,813</u>	<u>\$ 10,579</u>

See accompanying notes to financial statements

Debt Service Funds					
2002 MCF Debt Retirement	Medicare Bond Retirement	Jail Bond Retirement	2003 Courthouse Debt Retirement	2003 Road Commission Building Debt	Courthouse Bond Retirement
\$ 62,106	\$ 55,937	\$ 70,164	\$ 17	\$ 12,287	\$ 112,887
-	-	-	-	-	-
-	-	-	-	-	-
702,877	155,482	251,270	-	-	203,732
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 764,983</u>	<u>\$ 211,419</u>	<u>\$ 321,434</u>	<u>\$ 17</u>	<u>\$ 12,287</u>	<u>\$ 316,619</u>
\$ -	\$ -	\$ -	\$ -	\$ -	-
302	598	1,074	-	-	129
702,877	155,482	251,270	-	-	203,732
-	-	-	-	-	-
<u>703,179</u>	<u>156,080</u>	<u>252,344</u>	<u>-</u>	<u>-</u>	<u>203,861</u>
<u>61,804</u>	<u>55,339</u>	<u>69,090</u>	<u>17</u>	<u>12,287</u>	<u>112,758</u>
<u>\$ 764,983</u>	<u>\$ 211,419</u>	<u>\$ 321,434</u>	<u>\$ 17</u>	<u>\$ 12,287</u>	<u>\$ 316,619</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2004**

	Capital Project Funds		
	2003	2004	Total
	Road Commission Building Construction	Medical Care Facility Construction	Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and equivalents:			
Unrestricted	\$ -	\$ 21,225	\$ 1,244,409
Receivables:			
State of Michigan	-	-	38,945
Accounts	-	-	39,690
Current property taxes	-	-	1,571,863
Notes	-	-	398,803
Due from other funds	-	-	54,673
Inventory	-	-	3,637
	<hr/>	<hr/>	<hr/>
Total assets	\$ -	\$ 21,225	\$ 3,352,020
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 83,513
Due to other funds	-	-	88,632
Deferred revenue	-	-	2,022,304
Accrued payroll	-	-	9,507
	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	2,203,956
	<hr/>	<hr/>	<hr/>
Fund balances:			
Unreserved:			
Undesignated	-	21,225	1,148,064
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ -	\$ 21,225	\$ 3,352,020
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2004**

	Special Revenue Funds			
	Family Counseling	County Parks	Friend of Court Incentive	Probation Surcharge
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	210	-
Charges for services	-	97,307	-	-
Interest and rentals	-	4,565	-	-
Other	1,260	-	540	1,220
Total revenues	1,260	101,872	750	1,220
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
Public safety	-	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	-	128,311	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	-	128,311	-	-
Excess revenues (expenditures)	1,260	(26,439)	750	1,220
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds	-	-	-	-
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	1,260	(26,439)	750	1,220
Fund balances - beginning	8,155	(2,765)	750	1,967
Fund balances - ending	\$ 9,415	\$ (29,204)	\$ 1,500	\$ 3,187

See accompanying notes to financial statements

Special Revenue Funds

Register of Deeds Automation	Budget Stabilization	Enhanced 911	Drug Forfeiture - Prosecutor	Drug Forfeiture - Sheriff	Law Library	Drug Court Grant Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	38,947
19,211	-	320,204	-	-	-	-
207	-	6,873	39	-	-	-
-	-	586	3,200	375	2,500	-
<u>19,418</u>	<u>-</u>	<u>327,663</u>	<u>3,239</u>	<u>375</u>	<u>2,500</u>	<u>38,947</u>
-	-	-	-	-	18,139	-
-	-	316,715	1,189	-	-	61,017
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
12,993	-	-	-	-	-	-
<u>12,993</u>	<u>-</u>	<u>316,715</u>	<u>1,189</u>	<u>-</u>	<u>18,139</u>	<u>61,017</u>
<u>6,425</u>	<u>-</u>	<u>10,948</u>	<u>2,050</u>	<u>375</u>	<u>(15,639)</u>	<u>(22,070)</u>
-	-	-	-	-	-	-
-	-	-	-	-	17,785	1,820
-	(76,000)	-	-	-	-	-
-	(76,000)	-	-	-	17,785	1,820
6,425	(76,000)	10,948	2,050	375	2,146	(20,250)
<u>14,841</u>	<u>152,000</u>	<u>477,081</u>	<u>1,309</u>	<u>2,612</u>	<u>(2,085)</u>	<u>-</u>
<u>\$ 21,266</u>	<u>\$ 76,000</u>	<u>\$ 488,029</u>	<u>\$ 3,359</u>	<u>\$ 2,987</u>	<u>\$ 61</u>	<u>\$ (20,250)</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2004**

	Special Revenue Funds			
	Senior Citizens	Alcohol Assessment	Child Care	Veterans Trust
<b>REVENUES:</b>				
Taxes	\$ 86,585	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	-	2,688
Charges for services	-	2,020	4,637	-
Interest and rentals	-	-	-	-
Other	-	40	7,931	-
Total revenues	<u>86,585</u>	<u>2,060</u>	<u>12,568</u>	<u>2,688</u>
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
Public safety	-	-	-	-
Highway and transportation	86,941	-	-	-
Cultural and recreation	-	-	-	-
Health and welfare	-	80	139,307	49,425
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>86,941</u>	<u>80</u>	<u>139,307</u>	<u>49,425</u>
Excess revenues (expenditures)	<u>(356)</u>	<u>1,980</u>	<u>(126,739)</u>	<u>(46,737)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds	-	-	-	-
Transfer in	-	-	75,396	53,246
Transfer out	-	(1,820)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,820)</u>	<u>75,396</u>	<u>53,246</u>
Net changes in fund balance	(356)	160	(51,343)	6,509
Fund balances - beginning	<u>-</u>	<u>13,798</u>	<u>93,442</u>	<u>2,210</u>
Fund balances - ending	<u>\$ (356)</u>	<u>\$ 13,958</u>	<u>\$ 42,099</u>	<u>\$ 8,719</u>

See accompanying notes to financial statements



Special Revenue Funds

Public Act 302	Plat Book	Sheriff's Department Equipment	Courthouse Repair	CDBG Grant	Youth Camp	Forest Resources
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,756	\$ -
-	-	-	-	132,564	1,064	-
1,806	-	-	-	-	-	-
-	-	-	-	-	138,288	-
-	-	-	-	-	1,494	-
-	14,473	19,484	-	-	59,323	48,020
1,806	14,473	19,484	-	132,564	362,925	48,020
-	-	-	-	-	-	-
1,928	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	335,191	54,115
-	-	-	-	-	-	-
-	-	-	-	132,564	-	-
-	-	19,461	19,289	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	46	-	-	-	-	-
1,928	46	19,461	19,289	132,564	335,191	54,115
(122)	14,427	23	(19,289)	-	27,734	(6,095)
-	-	-	-	-	-	-
-	-	-	20,000	-	-	-
-	(12,000)	-	-	-	-	-
-	(12,000)	-	20,000	-	-	-
(122)	2,427	23	711	-	27,734	(6,095)
4,518	6,262	6,518	-	44	51,081	19,377
\$ 4,396	\$ 8,689	\$ 6,541	\$ 711	\$ 44	\$ 78,815	\$ 13,282

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2004**

	Special Revenue Funds		
	Fairgrounds	EDC/ Revolving Loan	Airport
<b>REVENUES:</b>			
Taxes	\$ -	\$ -	\$ -
Federal sources	-	-	-
State sources	-	-	-
Charges for services	-	1,591	-
Interest and rentals	-	-	-
Other	4,137	120,484	2,797
Total revenues	4,137	122,075	2,797
<b>EXPENDITURES:</b>			
Judicial system	-	-	-
Public safety	-	-	-
Highway and transportation	-	-	19,462
Cultural and recreation	7,344	-	-
Health and welfare	-	-	-
Community development	-	157,824	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Total expenditures	7,344	157,824	19,462
Excess revenues (expenditures)	(3,207)	(35,749)	(16,665)
<b>OTHER FINANCING SOURCES (USES):</b>			
Bond proceeds	-	-	-
Transfer in	2,500	-	122
Transfer out	-	(10,000)	-
Total other financing sources (uses)	2,500	(10,000)	122
Net changes in fund balance	(707)	(45,749)	(16,543)
Fund balances - beginning	4,666	123,586	17,043
Fund balances - ending	\$ 3,959	\$ 77,837	\$ 500

See accompanying notes to financial statements

Debt Service Funds

2002 MCF Debt Retirement	Medicare Bond Retirement	Jail Bond Retirement	2003 Courthouse Debt Retirement	2003 Road Commission Building Debt	Courthouse Bond Retirement
\$ 462,955	\$ 145,389	\$ 240,589	\$ -	\$ -	\$ 195,058
-	-	-	-	-	-
-	-	-	-	-	-
4,154	-	2,211	-	170	1,614
-	-	-	-	-	615
<u>467,109</u>	<u>145,389</u>	<u>242,800</u>	<u>-</u>	<u>170</u>	<u>197,287</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	45,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
95,000	80,000	110,000	6,000	-	45,000
357,916	62,640	125,913	353	100,323	39,538
268	283	400	-	-	-
<u>453,184</u>	<u>142,923</u>	<u>236,313</u>	<u>6,353</u>	<u>145,323</u>	<u>84,538</u>
<u>13,925</u>	<u>2,466</u>	<u>6,487</u>	<u>(6,353)</u>	<u>(145,153)</u>	<u>112,749</u>
-	-	-	-	-	-
-	-	-	6,370	145,390	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,370</u>	<u>145,390</u>	<u>-</u>
13,925	2,466	6,487	17	237	112,749
<u>47,879</u>	<u>52,873</u>	<u>62,603</u>	<u>-</u>	<u>12,050</u>	<u>9</u>
<u>\$ 61,804</u>	<u>\$ 55,339</u>	<u>\$ 69,090</u>	<u>\$ 17</u>	<u>\$ 12,287</u>	<u>\$ 112,758</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2004**

	Capital Projects Funds		Total
	2003	2004	
	Road Commission Building Construction	Medical Care Facility Construction	Nonmajor Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ -	\$ -	\$ 1,293,332
Federal sources	-	-	133,628
State sources	-	-	43,651
Charges for services	-	-	583,258
Interest and rentals	-	725	22,052
Other	-	-	286,985
Total revenues	-	725	2,362,906
<b>EXPENDITURES:</b>			
Judicial system	-	-	18,139
Public safety	-	-	380,849
Highway and transportation	-	-	151,403
Cultural and recreation	-	-	524,961
Health and welfare	-	-	188,812
Community development	-	-	290,388
Capital outlay	-	93,770	132,520
Debt service:			
Principal	-	-	336,000
Interest	-	-	686,683
Other	-	5,730	19,720
Total expenditures	-	99,500	2,729,475
Excess revenues (expenditures)	-	(98,775)	(366,569)
<b>OTHER FINANCING SOURCES (USES):</b>			
Bond proceeds	-	120,000	120,000
Transfer in	-	-	322,629
Transfer out	(66)	-	(99,886)
Total other financing sources (uses)	(66)	120,000	342,743
Net changes in fund balance	(66)	21,225	(23,826)
Fund balances - beginning	66	-	1,171,890
Fund balances - ending	\$ -	\$ 21,225	\$ 1,148,064

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**December 31, 2004**

	<u>Construction Code</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 1998</u>	<u>Tax Revolving 1999</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 49,068	\$ 12,601	\$ 13,299	\$ 19,243
Receivables:				
Delinquent taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>49,068</u>	<u>12,601</u>	<u>13,299</u>	<u>19,243</u>
Noncurrent assets:				
Receivables:				
Delinquent taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>
Total assets	<u>\$ 49,068</u>	<u>\$ 12,601</u>	<u>\$ 13,299</u>	<u>\$ 19,355</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,232	\$ -	\$ -	\$ -
Accrued payroll	<u>297</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,529</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>				
Unrestricted	<u>47,539</u>	<u>12,601</u>	<u>13,299</u>	<u>19,355</u>
Total net assets	<u>47,539</u>	<u>12,601</u>	<u>13,299</u>	<u>19,355</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 49,068</u>	<u>\$ 12,601</u>	<u>\$ 13,299</u>	<u>\$ 19,355</u>

See accompanying notes to financial statements

<u>Tax Revolving 2000</u>	<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ 15,527	\$ 15,074	\$ 23,460	\$ 167,020	\$ 315,292
-	-	-	35,415	35,415
<u>15,527</u>	<u>15,074</u>	<u>23,460</u>	<u>202,435</u>	<u>350,707</u>
114	147	818	11,687	12,878
<u>\$ 15,641</u>	<u>\$ 15,221</u>	<u>\$ 24,278</u>	<u>\$ 214,122</u>	<u>\$ 363,585</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,232
-	-	-	-	297
-	-	-	-	1,529
<u>15,641</u>	<u>15,221</u>	<u>24,278</u>	<u>214,122</u>	<u>362,056</u>
<u>15,641</u>	<u>15,221</u>	<u>24,278</u>	<u>214,122</u>	<u>362,056</u>
<u>\$ 15,641</u>	<u>\$ 15,221</u>	<u>\$ 24,278</u>	<u>\$ 214,122</u>	<u>\$ 363,585</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2004**

	Construction Code	Tax Revolving Administration	Tax Revolving 1998	Tax Revolving 1999
<b>OPERATING REVENUES:</b>				
License and permits	\$ 64,415	\$ -	\$ -	\$ -
Charges for services	-	-	41	122
Penalties and interest on taxes	-	-	-	-
Other	258	-	-	-
	<u>64,673</u>	<u>-</u>	<u>41</u>	<u>122</u>
Total operating revenue				
	<u>64,673</u>	<u>-</u>	<u>41</u>	<u>122</u>
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	27,288	-	-	-
Administrative fees	-	-	-	-
Other	41,794	9,795	631	8,932
	<u>69,082</u>	<u>9,795</u>	<u>631</u>	<u>8,932</u>
Total operating expenses				
	<u>69,082</u>	<u>9,795</u>	<u>631</u>	<u>8,932</u>
Operating income (loss)	<u>(4,409)</u>	<u>(9,795)</u>	<u>(590)</u>	<u>(8,810)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest on investments	-	25	48	90
Transfer in	-	3,841	-	-
Transfer out	(3,000)	-	-	(42,915)
	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>(42,915)</u>
Total nonoperating revenues (expenses)				
	<u>(3,000)</u>	<u>3,866</u>	<u>48</u>	<u>(42,825)</u>
Change in net assets	(7,409)	(5,929)	(542)	(51,635)
Total net assets - beginning	<u>54,948</u>	<u>18,530</u>	<u>13,841</u>	<u>70,990</u>
Total net assets - ending	<u>\$ 47,539</u>	<u>\$ 12,601</u>	<u>\$ 13,299</u>	<u>\$ 19,355</u>

See accompanying notes to financial statements

<u>Tax Revolving 2000</u>	<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 64,415
160	198	8,940	35,081	44,542
-	-	415	18,566	18,981
-	-	35,603	218	36,079
160	198	44,958	53,865	164,017
-	-	-	-	27,288
-	-	8,240	17,140	25,380
1,994	198	-	-	63,344
1,994	198	8,240	17,140	116,012
(1,834)	-	36,718	36,725	48,005
500	15	1,064	4,918	6,660
-	-	-	-	3,841
(40,097)	(45,588)	(131,743)	(771,414)	(1,034,757)
(39,597)	(45,573)	(130,679)	(766,496)	(1,024,256)
(41,431)	(45,573)	(93,961)	(729,771)	(976,251)
57,072	60,794	118,239	943,893	1,338,307
<u>\$ 15,641</u>	<u>\$ 15,221</u>	<u>\$ 24,278</u>	<u>\$ 214,122</u>	<u>\$ 362,056</u>

See accompanying notes to financial statements



**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2004**

	Construction Code	Tax Revolving Administration	Tax Revolving 1998	Tax Revolving 1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 64,415	\$ -	\$ -	\$ -
Cash received for collection of taxes	-	-	2,182	13,530
Other operating cash receipts	258	-	-	5,458
Payments to suppliers	(41,141)	-	-	-
Payments for wages and related benefits	(27,382)	-	-	-
Other operating cash payments	-	(9,795)	(631)	(8,932)
Net cash provided (used) by operating activities	(3,850)	(9,795)	1,551	10,056
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	3,841	-	-
Transfer out	(3,000)	-	-	(42,915)
Net cash provided (used) by noncapital financing activities	(3,000)	3,841	-	(42,915)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	-	25	48	90
Net increase (decrease) in cash and equivalents	(6,850)	(5,929)	1,599	(32,769)
Cash and equivalents, beginning of year	55,918	18,530	11,700	52,012
Cash and equivalents, end of year	<u>\$ 49,068</u>	<u>\$ 12,601</u>	<u>\$ 13,299</u>	<u>\$ 19,243</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (4,409)	\$ (9,795)	\$ (590)	\$ (8,810)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	39,224	2,141	13,408
(Increase) decrease in due from other funds	-	-	-	5,458
Increase (decrease) in due to other funds	(138)	(39,224)	-	-
Increase (decrease) in accounts payable	791	-	-	-
Increase (decrease) in other liabilities	(94)	-	-	-
Total adjustments	559	-	2,141	18,866
Net cash provided by operating activities	<u>\$ (3,850)</u>	<u>\$ (9,795)</u>	<u>\$ 1,551</u>	<u>\$ 10,056</u>

See accompanying notes to financial statements

Tax Revolving 2000	Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ 64,415
6,810	5,475	39,373	348,716	416,086
-	11,405	11,034	11,545	39,700
-	-	-	-	(41,141)
-	-	-	-	(27,382)
(1,994)	(198)	(8,240)	(17,140)	(46,930)
4,816	16,682	42,167	343,121	404,748
-	-	-	-	3,841
(40,097)	(45,588)	(131,743)	(771,414)	(1,034,757)
(40,097)	(45,588)	(131,743)	(771,414)	(1,030,916)
500	15	1,064	4,918	6,660
(34,781)	(28,891)	(88,512)	(423,375)	(619,508)
50,308	43,965	111,972	590,395	934,800
\$ 15,527	\$ 15,074	\$ 23,460	\$ 167,020	\$ 315,292
\$ (1,834)	\$ -	\$ 36,718	\$ 36,725	\$ 48,005
6,650	5,277	30,018	295,069	391,787
-	11,405	11,034	11,327	39,224
-	-	-	-	(39,362)
-	-	-	-	791
-	-	(35,603)	-	(35,697)
6,650	16,682	5,449	306,396	356,743
\$ 4,816	\$ 16,682	\$ 42,167	\$ 343,121	\$ 404,748

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**December 31, 2004**

	General Trust and Agency	Flex Spending	Friend of the Court Trust	District Court Bonds
<b>ASSETS</b>				
Cash and cash equivalents:				
Unrestricted	\$ 941,304	\$ 17,658	\$ 1	\$ 41,958
Receivables:				
Accounts	782	-		
Due from other governmental units	10,724	-	-	-
Due from other funds	13,207	5,994	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 966,017</u>	<u>\$ 23,652</u>	<u>\$ 1</u>	<u>\$ 41,958</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 7,446	\$ -	\$ -	\$ -
Undistributed taxes	792,104	-	-	-
Other liabilities	166,467	23,652	1	41,958
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 966,017</u>	<u>\$ 23,652</u>	<u>\$ 1</u>	<u>\$ 41,958</u>

See accompanying notes to financial statements

Library Fund	Inmate Trust	Totals
\$ 36,909	\$ 2,712	\$ 1,040,542
		782
-	-	10,724
-	-	19,201
<u>\$ 36,909</u>	<u>\$ 2,712</u>	<u>\$ 1,071,249</u>
\$ -	\$ -	\$ 7,446
-	-	792,104
36,909	2,712	271,699
<u>\$ 36,909</u>	<u>\$ 2,712</u>	<u>\$ 1,071,249</u>

See accompanying notes to financial statements



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Commissioners  
County of Iron  
Crystal Falls, Michigan 49920

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Iron, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County of Iron, Michigan's basic financial statements, and have issued our report thereon dated May 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the County of Iron, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the County of Iron, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters – As part of obtaining reasonable assurance about whether the County of Iron, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 04-2 and 04-3.

We also noted certain immaterial instances of noncompliance and additional matters that we reported to management of the County of Iron, Michigan, in a separate letter dated May 12, 2005.

This report is intended solely for the information of management, others within the organization, County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*  
Certified Public Accountants

May 12, 2005



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM**  
**AND INTERNAL CONTROL OVER COMPLIANCE**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Commissioners  
County of Iron  
Crystal Falls, Michigan 49920

Compliance

We have audited the compliance of the County of Iron, Michigan with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. County of Iron, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County of Iron, Michigan's management. Our responsibility is to express an opinion on County of Iron, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Iron, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Iron, Michigan's compliance with those requirements.

In our opinion, the County of Iron, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the County of Iron, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Iron, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect County of Iron, Michigan's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the County Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*  
Certified Public Accountants

May 12, 2005



**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended December 31, 2004**

Federal grantor/pass-through/program title	Federal CFDA #	Agency or pass-through number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>			
Passed through the State Department of Social Services:			
Title IV-D Cooperative Reimbursement		{ CSPA-04-36002 }	
	93.563	{ CSFOC-04-36001 }	\$ 167,782
		{ CSMED-04-36001 }	
Foster Care - Title IV-E	93.658	PROFC-04-36001	1,316
Passed through State Department of Public Health:			
Medical Assistance Program	93.778		5,311
Family Planning Project	93.217		46,533
Maternal and Child Health Services Block Title V	93.994		30,767
Breast & Cervical Cancer Control Program	93.919		31,367
Immunization IAP	93.268		143,512
Bioterrorism Supplemental	93.283		225,692
0-3 Secondary Prevention Grant	93.558	CTFPR02-36001	79,438
Passed through Upper Peninsula Commission for Area Progress:			
Title IIID	93.043		8,730
Total U.S. Department of Health & Human Services			740,448
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Direct Payments:			
Special Supplemental Food Program for Woman, Infants and Children	10.557		132,794
Special Milk Program for Children	10.556		1,064
Community Facilities Loans and Grants	10.766		3,040,700
Total U.S. Department of Agriculture			3,174,558
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY:</b>			
EPA Indoor Radon Grant	66.032		2,350
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>			
Passed through State Emergency Management:			
Emergency Management Performance Grants	97.042		8,958
2004 Homeland Security Grant Program	97.004		70,813
Total Federal Emergency Management Agency			79,771

See accompanying notes to the schedule of expenditures of federal awards

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended December 31, 2004**

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA #</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF JUSTICE:			
Passed through State:			
State Homeland Security Grant Program (SHSGP):			
2003 SHSGP Exercise Grant	16.007		\$ 6,635
2003 SHSGP Part II Solution Area Planner Grant	16.007		18,750
Byrne Formula Grant Program:			
Drug Court Implementation	16.579		57,846
Family & Domestic Violence Unit	16.579		<u>38,758</u>
 Total U.S. Department of Justice			 <u>121,989</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through State:			
Special Education Grants for Infants and Families with Disabilities (Early On)	84.181		<u>63,617</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Passed through State:			
Community Development Block Grant	14.228		<u>132,564</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 4,315,297</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2004**

**NOTE A – OVERSIGHT AGENCY**

The U.S. Department of Agriculture is the current year's oversight agency for single audit as determined by the agency providing the largest share of the County's federal financial assistance.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting.

**NOTE C – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS**

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

**NOTE D – FEDERAL REVENUE RECONCILIATION**

Federal revenue per governmental fund financial statements	\$ 504,486
Federal expenditures per schedule of expenditures of federal award	<u>4,315,297</u>
Difference	<u>(3,810,811)</u>
Reconciling items:	
Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:	
District Health Department	770,111
Expenditures reported on the schedule of expenditures of federal awards for the Community Facilities Loans and Grants program.	<u>3,040,700</u>
Reconciled difference	<u><u>\$ -</u></u>

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2004**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Iron, Michigan.
2. Reportable conditions disclosed during the audit of the basic financial statements are reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the basic financial statements of the County of Iron, Michigan disclosed during the audit.
4. A reportable condition disclosed during the audit of the major federal programs is reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133* and are detailed in part C of this schedule.
5. The auditor's report on compliance for the major federal programs for the County of Iron, Michigan expresses an unqualified opinion.
6. There was one audit finding relative to the major federal programs for the County of Iron, Michigan and is detailed in part C of this schedule.
7. The program tested as a major program included:
  - Community Facilities Loans & Grants, CFDA #10.766
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Iron, Michigan was not determined to be a low-risk auditee.

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2004**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**04-1. LACK IN SAFEGUARDING CONTROLS OVER CASH**

Condition/Criteria: Bank accounts of the County are not being reconciled to the general ledger on a monthly basis.

Effect: Significant deficiency in the design or operation of the internal control over the financial reporting, in our judgement, could adversely affect the County of Iron's ability to record and report financial data consistent with the assertions of management in the financial statements.

Cause: The responsible personnel continue to not recognize the importance of spending the necessary time to perform the recommended cash reconciliation procedures.

Recommendation: We recommend the County perform monthly cash reconciliation between all bank accounts and the general ledger.

**04-2. FUND DEFICITS**

Condition/Criteria: The County Parks, Senior Citizens and Drug Court Grant funds of the County are in a deficit fund balance condition at December 31, 2004.

Effect: The County is in noncompliance with State Law, Public Act 275.

Cause: Fund expenditures exceeded revenue and accumulated fund equity.

Recommendation: The County is required to submit a deficit reduction plan to the State of Michigan.

**04-03. BUDGET VIOLATIONS**

Condition/Criteria: Public Act 621 of 1978 requires that a County shall amend the budget for the General Fund and Special Revenue Funds to prevent actual expenditures from exceeding the approved appropriations. Actual expenditures in the Maintenance of Effort – Medicare Fund expenditures exceeded appropriations by \$49,909. The Revenue Sharing Reserve Fund did not have an adopted budget, and therefore had expenditures, which exceeded appropriations by \$141,406.

Effect: The County is not in compliance with state law.

Cause: Failure to amend the budget to cover total expenditures.

Recommendation: The County should amend the budget for funds where expenditures exceed appropriations prior to the expenditure being made and the amendments should be made prior to the end of the fiscal year.

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2004**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

Questioned  
Costs

**04-1. LACK IN SAFEGUARDING CONTROLS OVER CASH**

Condition/Criteria: Bank accounts of the County are not being reconciled to the general ledger on a monthly basis.

Effect: Significant deficiency in the design or operation of the internal control over the financial reporting, in our judgement, could adversely affect the County of Iron's ability to record and report financial data consistent with the assertions of management in the financial statements.

\$ -0-

Cause: The responsible personnel continue to not recognize the importance of spending the necessary time to perform the recommended cash reconciliation procedures.

Recommendation: We recommend the County perform monthly cash reconciliation between all bank accounts and the general ledger.

Management Response: The County of Iron will continue to extend efforts to reconcile bank accounts with the general ledger on a monthly basis and will investigate and adjust the general ledger to the actual bank balance.

**COUNTY OF IRON, MICHIGAN**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2004**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

**03-1. LACK IN SAFEGUARDING CONTROLS OVER CASH**

Condition/Criteria: Bank accounts of the County are not being reconciled to the general ledger on a monthly basis.

Effect: Significant deficiency in the design or operation of the internal control over the financial reporting, in our judgement, could adversely affect the County of Iron's ability to record and report financial data consistent with the assertions of management in the financial statements.

Cause: Has not recognized the importance of spending the necessary time to perform the recommended cash reconciliation.

Recommendation: We recommend the County perform monthly cash reconciliations between bank accounts and the general ledger.

Status: As of December 31, 2004, bank accounts of the County continue to not be reconciled to the general ledger.

# Continuing Disclosure Filing

**County of Iron**  
State of Michigan

*Fiscal Year Ended*  
*December 31, 2004*



LIST OF CURRENT  
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES  
INFORMATION REPOSITORIES (NRMSIRs)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street – 45th Floor  
New York, New York 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-mail: nrmsir\_repository@sandp.com

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
E-mail: Munis@Bloomberg.com

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390  
E-mail: Nrmsir@FTID.com

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-mail: nrmsir@dpcdata.com

STATE INFORMATION REPOSITORY

Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, Michigan 48226-3517  
Phone: 313-963-0420  
Fax: 313-963-0943  
E-mail: mac@macmi.com

## MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: County of Iron, Michigan

CUSIP Numbers (attach additional sheet if necessary):

- ☐ Nine-digit number(s) to which the information relates:  
☒ Information relates to **all securities** issued by the issuer having the following six-digit number(s): 462765

\*\*\*

Number of pages of attached information:

Description of Material Event Notice / Financial Information (Check One):

1. \_\_\_\_\_ Principal and interest payment delinquencies
2. \_\_\_\_\_ Non-Payment related defaults
3. \_\_\_\_\_ Unscheduled draws on debt service reserves reflecting financial difficulties
4. \_\_\_\_\_ Unscheduled draws on credit enhancements reflecting financial difficulties
5. \_\_\_\_\_ Substitution of credit or liquidity providers, or their failure to perform
6. \_\_\_\_\_ Adverse tax opinions or events affecting the tax-exempt status of the security
7. \_\_\_\_\_ Modifications to rights of securities holders
8. \_\_\_\_\_ Bond calls
9. \_\_\_\_\_ Defeasances
10. \_\_\_\_\_ Release, substitution, or sale of property securing repayment of the securities
11. \_\_\_\_\_ Rating changes
12. \_\_\_\_\_ Failure to provide annual financial information as required
13. \_\_\_\_\_ Other material event notice (specify)
14. X \_\_\_\_\_ Financial information\*: Please check all appropriate boxes:

☐ CAFR: (a) ☐ includes ☐ does not include Annual Financial Information

(b) Audited? Yes ☐ No ☐

☒ Annual Financial Information: Audited? Yes ☒ No ☐

☒ Operating Data

Fiscal Period Covered: Fiscal Year Ended December 31, 2004

\*Financial information **should not** be filed with the MSRB

\*\*\*

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: Jan R. Ruizing

Title: County Administrator

Employer: County of Iron

Address: 2 South Sixth Street, Suite 7

City, State, Zip Code: Crystal Falls, Michigan 49920-1413

Voice Telephone Number: (906) 875-0652

**County of Iron**  
**Total Taxable Value**  
**Fiscal Years Ended December 31, 2000 Through 2004**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended December 31	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)	Total Taxable Value	Percent Increase Over Prior Year
1999	2000	2000	\$273,024,860	\$91,751	\$273,116,611	2.70
2000	2001	2001	289,926,405	114,225	290,040,630	6.20
2001	2002	2002	307,456,262	111,191	307,567,453	6.04
2002	2003	2003	321,055,877	93,717	321,149,594	4.42
2003	2004	2004	339,554,127	82,557	339,636,684	5.76

Per Capita Total Taxable Value for the Fiscal Year Ended December 31, 2004 (2) ..... \$25,851.48

(1) At the full tax rate.

(2) Based on the County's 2000 Census population of 13,138.

Source: County of Iron

**County of Iron**  
**Total Taxable Value by Use and Class**  
**Fiscal Years Ended December 31, 2000 Through 2004**

Use	Fiscal Year Ended December 31				
	2000	2001	2002	2003	2004
Agriculture.....	\$ 4,434,804	\$ 4,623,739	\$ 4,993,218	\$ 5,253,241	\$ 5,468,494
Commercial .....	27,695,576	30,342,986	31,344,021	31,729,929	33,451,388
Utility.....	39,784,962	41,404,656	41,908,832	42,819,275	43,062,168
Industrial.....	27,408,812	27,449,085	27,831,909	27,359,350	27,742,706
Residential.....	161,093,661	172,538,519	186,109,951	198,887,622	213,655,159
Timber Cutover .....	12,698,796	13,681,645	15,379,522	15,100,177	16,256,769
Total.....	<u>\$ 273,116,611</u>	<u>\$ 290,040,630</u>	<u>\$ 307,567,453</u>	<u>\$ 321,149,594</u>	<u>\$ 339,636,684</u>

  

Class	2000	2001	2002	2003	2004
Real Property.....	\$ 226,635,344	\$ 241,611,314	\$ 259,350,358	\$ 272,593,977	\$ 290,242,752
Personal Property ....	46,481,267	48,429,317	48,217,095	48,555,617	49,393,932
Total.....	<u>\$ 273,116,611</u>	<u>\$ 290,040,630</u>	<u>\$ 307,567,453</u>	<u>\$ 321,149,594</u>	<u>\$ 339,636,684</u>

Source: County of Iron

**County of Iron**  
**Percent of Total Taxable Value by Use and Class**  
**Fiscal Years Ended December 31, 2000 Through 2004**

	Fiscal Year Ended December 31				
<u>Use</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Agriculture.....	1.62%	1.59%	1.62%	1.63%	1.61%
Commercial .....	10.14	10.46	10.19	9.88	9.85
Utility.....	14.57	14.28	13.63	13.33	12.68
Industrial.....	10.04	9.46	9.05	8.52	8.16
Residential.....	58.98	59.49	60.51	61.93	62.91
Timber Cutover .....	4.65	4.72	5.00	4.70	4.79
Total.....	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>Class</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Real Property .....	82.98%	83.30%	84.32%	84.88%	85.46%
Personal Property ....	17.02	16.70	15.68	15.12	14.54
Total.....	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: County of Iron

**County of Iron**  
**Total State Equalized Valuation**  
**Fiscal Years Ended December 31, 2001 Through 2005**

<u>Assessed</u>	<u>Year of State</u>	<u>County's</u>	<u>Ad</u>	<u>SEV of Property</u>		<u>Percent</u>
<u>Value as of</u>	<u>Equalization</u>	<u>Fiscal Year</u>	<u>Valorem</u>	<u>Granted Tax</u>		<u>Increase</u>
<u>December 31</u>	<u>and Tax Levy</u>	<u>Ended</u>	<u>SEV</u>	<u>Under Acts 198</u>	<u>Total</u>	<u>Over</u>
		<u>December 31</u>		<u>and 255</u>	<u>SEV</u>	<u>Prior Year</u>
2000	200	200	398,633,589	228,450	398,862,039	15.75
2001	2002	2002	433,960,397	222,381	434,182,778	8.86
2002	2003	2003	472,061,769	187,434	472,249,203	8.76
2003	2004	2004	510,134,359	165,114	510,299,473	8.06
2004	2005	2005	544,910,395	161,349	545,071,788	6.81
Per Capita Total SEV for the Fiscal Year Ended December 31, 2005 (1) .....						\$41,488.19

(1) Based on the County's 2000 Census population of 13,138.

Source: County of Iron

**County of Iron**  
**Total SEV by Use and Class**  
**Fiscal Years Ended December 31, 2000 Through 2004**

Fiscal Year Ended December 31					
Use	2001	2002	2003	2004	2005
Agriculture.....	\$ 8,365,815	\$ 10,293,827	\$ 10,987,894	\$ 14,073,223	\$ 16,546,441
Commercial .....	31,098,571	32,622,478	33,731,907	35,166,597	37,464,896
Utility .....	43,209,404	43,603,946	44,169,873	44,698,021	44,203,190
Industrial.....	27,565,626	28,584,383	28,000,315	28,320,075	28,925,570
Residential.....	258,009,188	284,420,672	314,699,458	344,863,198	373,027,754
Timber Cutover .....	30,613,435	34,657,472	40,659,756	43,178,359	44,905,937
Total.....	<u>\$ 398,862,039</u>	<u>\$ 434,182,778</u>	<u>\$ 472,249,203</u>	<u>\$ 510,299,473</u>	<u>\$ 545,271,788</u>
0					
Class	2001	2002	2003	2004	2005
Real Property.....	\$ 348,463,943	\$ 384,139,902	\$ 422,168,956	\$ 459,121,333	\$ 493,800,015
Personal Property .....	50,398,096	50,042,876	50,080,247	51,178,140	51,271,773
	<u>\$ 398,862,039</u>	<u>\$ 434,182,778</u>	<u>\$ 472,249,203</u>	<u>\$ 510,299,473</u>	<u>\$ 545,071,788</u>

Source: County of Iron

**County of Iron**  
**Percent of Total SEV by Use and Class**  
**Fiscal Years Ended December 31, 2000 Through 2004**

Fiscal Year Ended December 31					
Use	2001	2002	2003	2004	2004
Agriculture.....	2.09%	2.38%	2.33%	2.75%	3.04%
Commercial .....	7.80	7.51	7.14	6.89	6.87
Utility .....	10.83	10.04	9.35	8.76	8.11
Industrial.....	6.91	6.58	5.93	5.55	5.31
Residential.....	64.69	65.51	66.64	67.59	68.43
Timber Cutover .....	7.68	7.98	8.61	8.46	8.24
Total.....	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Class	2001	2002	2003	2004	2004
Real Property.....	87.36%	88.47%	89.40%	89.97%	90.59%
Personal Property .....	12.64	11.53	10.60	10.03	9.41
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: County of Iron

**County of Iron**  
**Property Tax Rates**  
**Fiscal Years Ended December 31, 2000 Through 2004**

Levy	Fiscal Years						
December 1	Ended	Allocated	Youth Camp (1)	Medical (1)	Debt (1)	Senior	Total
	December 31					Citizen (1)	
2000	2000	6.6505	0.4970	1.4911	1.3149	0.2684	10.2219
2001	2001	6.6338	0.4957	1.4873	1.2512	0.2693	10.1373
2002	2002	6.5300	0.4901	1.4707	1.2110	0.2663	9.9681
2003	2003	6.5300	0.5000	1.5000	3.1971	0.2663	11.9934
2004	2004	6.5300	0.4968	1.4580	3.8679	0.2645	12.6172

(1) Voted.

**County of Iron**  
**Property Tax Collections**  
**Fiscal Years Ended or Ending December 31, 2001 Through 2005**

December 1 <u>Levy</u>	Fiscal Years Ended or Ending <u>December 31</u>	County <u>Tax Levy (1)</u>	Collections to March 1 <u>Following Levy</u>	Percent Collected to March 1 <u>Following Levy</u>
2000	2001	9,348,639	8,534,174	91.29
2001	2002	9,902,614	8,947,528	90.36
2002	2003	13,107,750	12,128,207	92.53
2003	2004	13,488,780	12,454,513	92.33
2004	2005	14,779,319 (2)	13,765,550 (3)	92.91

(1) Includes real property taxes.

(2) As adjusted

(3) At settlement

Source: County of Iron

**Profile of the Ten Largest Taxpayers**

Reflected below are the County's ten largest property taxpayers, their principal product or service and respective Taxable Value for its fiscal year ended December 31, 2004.

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	<u>Percent of Total (1)</u>
Great Lakes Gas Transmission .....	Utility .....	\$ 27,885,284	8.21%
WE Energies.....	Utility .....	27,660,859	8.14
Enbridge Energy, LTD .....	Utility .....	4,296,247	1.26
UPPCO .....	Utility .....	2,609,435	0.77
Angeli Management Corp.....	Diversified Grocery Store .....	2,282,841	0.67
Northern Trust Co .....	Financial Institution .....	2,179,389	0.64
Lake Shore Inc.....	Diversified Manufacturer.....	2,128,000	0.63
Connor Sports Flooring .....	Sports Flooring .....	1,553,142	0.46
American Transmission Co. ....	Utility .....	1,445,687	0.43
Krist Oil Co Inc. ....	Gas Stations .....	1,387,893	0.41
		<u>\$ 73,438,777</u>	<u>21.62%</u>

(1) Based on \$339,636,684 which is the County's Taxable Value for the fiscal year ended December 31, 2004.

Source: County of Iron

**County of Iron**  
**Revenues from the State of Michigan**  
**Fiscal Years Ended December 31, 2000 Through 2004**

	Fiscal Years Ended December 31				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
State Sales Tax.....	\$ 297,113	\$ 262,636	\$ 257,974	\$ 228,198	\$ 218,810

Source: Iron County and the Michigan Department of Treasury.

## COUNTY DEBT

### Constitutional Debt Limitations

Article VII, Section 11 of the Michigan Constitution states "No county shall incur any indebtedness which shall increase its total debt beyond 10 percent of its assessed valuation".

### Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur as of March 31, 2005.

Debt Limit (2).....	\$51,029,947
Debt Outstanding .....	\$21,415,510
Less: No County Credit Pledge Issues .....	<u>0</u>
Legal Debt Margin.....	<u>\$29,614,437</u>

### Debt Statement

The following table reflects a breakdown of the County's direct and underlying debt as of March 31, 2005 including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the County's General Fund.

To the extent necessary, the County may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the bonds that are designated as Unlimited Tax ("UT"). However, the County's ability to levy taxes to pay debt service on the bonds that are designated as Limited Tax ("LT"), is subject to applicable statutory and constitutional limitations.

County Direct Debt	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Michigan Transportation Fund Bonds:			
Dated February 12, 2003 .....	\$ 2,190,000	\$ -0-	\$ 2,190,000
Subtotal .....	<u>\$ 2,190,000</u>	<u>\$ -0-</u>	<u>\$ 2,190,000</u>
General Obligation Bonds:			
Dated March 3, 2005 (UT) .....	\$ 2,960,000	\$ -0-	\$ 2,960,000
Dated August 12, 2004 (LT) .....	120,000	-0-	120,000
Dated August 19, 2003 (LT) .....	394,000	-0-	394,000
Dated August 19, 2003 (UT) .....	2,792,230	-0-	2,792,230
Dated November 1, 2002 (UT) .....	8,840,000	-0-	8,840,000
Dated September 1, 2001 (LT) .....	3,764,280	-0-	3,764,280
Dated July 1, 1995 (UT) .....	265,000	-0-	265,000
Dated October 1, 1992 (UT) .....	90,000	-0-	90,000
Subtotal .....	<u>\$ 19,225,510</u>	<u>\$ -0-</u>	<u>\$ 19,225,510</u>
Total .....	<u>\$ 21,415,510</u>	<u>\$ -0-</u>	<u>\$ 21,415,510</u>
Per Capita Net County Direct Debt (1) .....			\$1,630.04
Percent of Net Direct Debt to Total SEV (2) .....			4.20%

<u>Underlying Debt of County (3)</u>		<u>Total</u>
Cities .....	\$	325,000
Townships .....		50,000
School Districts .....		9,480,000
Intermediate School District .....		31,689
Library .....		203,125
Total Underlying Debt .....		<u>\$ 10,089,814</u>
Per Capita Underlying Debt (1) .....		\$767.99
Percent of Underlying Debt to Total SEV (2) .....		1.98%
Total Direct and Underlying Debt .....		<u>\$ 31,505,324</u>
Per Capita Net Direct and Underlying Debt (1) .....		\$2,398.03
Percent of Net Direct and Underlying Debt to Total SEV (2) .....		6.17%

(1) Based on the County's 2000 Census population of 13,138.

(2) Based on \$510,299,473 which is the County's Total SEV for its fiscal year ended December 31, 2004.

(3) Underlying Debt is the debt of the municipal entities located in the County.

Source: County of Iron and the Municipal Advisory Council of Michigan.

### Pension Plan

The County participates in a defined benefit plan that covers all full-time employees and limited part-time employees that is administered by the Michigan Municipal Employees Retirement System. The County was required to contribute \$162,957 for the year ended December 31, 2003.

#### County of Iron Employees Retirement System Five-Year History

Valuation Date <u>December 31</u>	Actuarial Value of <u>Assets</u>	Accrued Actuarial <u>Liability</u>	Funded <u>Ratio</u>
1999	\$9,347,162	\$9,855,487	94.8
2000	10,311,037	11,292,609	91.3
2001	11,116,040	12,592,681	88.3
2002	11,569,884	13,573,832	85.2
2003	12,919,386	15,366,394	84.1

Source: County of Iron



**COUNTY OF IRON, MICHIGAN**

**REPORT TO MANAGEMENT**

**Year Ended December 31, 2004**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT TO MANAGEMENT**

Members of the Board of Commissioners  
County of Iron, Michigan

We have audited the financial statements of the County of Iron, Michigan for the year ended December 31, 2004, and have issued our reports thereon dated May 12, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered the County of Iron, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Iron, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Iron, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Iron, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination of the County of Iron, Michigan's compliance with those requirements.

### Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Iron, Michigan are described in Note A of the financial statements.

During the current year the County prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the County. We noted no transactions entered into by the County of Iron, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Iron,

Members of the Board of Commissioners  
County of Iron, Michigan

Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Iron County auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the County of Iron, Michigan, for the year ended December 31, 2004, we considered the County of Iron, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated May 12, 2005, on the financial statements of the County of Iron, Michigan.

We have already discussed many of these comments and recommendations with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of members of the County Board, management of Iron County and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

May 12, 2005

## IRON COUNTY, MICHIGAN

### **COMMENTS AND RECOMMENDATIONS**

December 31, 2004

#### COUNTY CASH RECONCILIATION

##### **Comment:**

1. Bank accounts of the County are not being reconciled with the general ledger on a monthly basis.
2. Co-mingled cash accounts of the County do not reconcile with the general ledger, resulting in a variance in the amount of \$163.75.

##### **Recommendation:**

We continue to recommend bank accounts be reconciled with the general ledger of the County. Greater efforts have been made to account for the various reconciling items on the cash accounts of the County, however, cash does not agree with the amounts reported in the general ledger. This lack of internal controls over the safeguarding of County assets will be reported as a "reportable condition". Reporting conditions are significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgement, could adversely affect the County of Iron's ability to record and report financial data consistent with the assertions of management in the financial statements.

##### **Management Response:**

The County of Iron will continue to extend efforts to reconcile the co-mingled bank accounts with the general ledger on a monthly basis and will investigate and adjust the general ledger to the actual bank balance.

#### EDC/REVOLVING LOAN FUND

##### **Comment:**

We noted that activity of the EDC is not being recorded within the general ledger of the County.

##### **Recommendation:**

The EDC is a component unit of the County of Iron, and is required to report all activities of the EDC in the general ledger of the County.

##### **Management Response:**

The County of Iron will record all checking accounts in the general ledger of the County to report all activities of the EDC.

## IRON COUNTY, MICHIGAN

### COMMENTS AND RECOMMENDATIONS

December 31, 2004

#### FUND DEFICITS

##### **Comment:**

As of December 31, 2004, the following County funds were in a deficit fund balance condition:

Drug Court Grant Program	(\$20,250)
County Parks	(\$29,204)
Senior Citizens	(\$ 356)

##### **Recommendation:**

We recommend the County submit a Deficit Reduction Plan to the State of Michigan as required by Public Act 275.

##### **Management Response:**

At the regular June 28, 2005, meeting of the Iron County Board of Commissioners, the Board adopted a resolution to submit a deficit reduction plan for 2004 to the State of Michigan.

#### BUDGET VIOLATIONS

##### **Comment:**

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended December 31, 2004, the Maintenance of Effort – Medicare Fund exceeded total appropriations by \$49,909. The Revenue Sharing Reserve Fund did not have an adopted budget, and therefore had expenditures which exceed appropriations by \$141,406.

##### **Recommendation:**

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations.

##### **Management Response:**

The County of Iron will continue to monitor the Special Revenue funds to insure that their budgets are amended to prevent budget violations. It is noted that the FIA Board submitted a letter requesting the over budgeted transfer of funds which was approved at the regular April 13, 2004, meeting of the Iron County Board of Commissioners.

## IRON COUNTY, MICHIGAN

### COMMENTS AND RECOMMENDATIONS

December 31, 2004

#### HEALTH INSURANCE

**Comment:**

Noted account balances relating to the Section 105 and Section 125 plans are not being reconciled.

**Recommendation:**

We recommend account balances relating to the Section 105 and Section 125 plans be reconciled with the general ledger on a monthly basis.

**Management Response:**

The County of Iron has separated the Section 125 deposits and the Section 105 deposits and will reconcile these accounts on a monthly basis.

#### INMATE TRUST FUND

**Comment:**

1. We noted cash held in the Inmate Trust Fund does not reconcile with a listing of inmate payables at year-end.
2. We noted unrecorded outstanding checks at December 31, 2004 in the Inmate Trust account.

**Recommendation:**

We recommend the Sheriff's Department continue their efforts to reconcile the cash held in the Inmate Trust Fund with all the individual inmate subsidiary ledgers to insure the Due to Inmates payable balance is accurately stated. Also, we recommend all outstanding checks be accounted for in the reconciliation to reflect the accurate cash balance of the inmate trust account in the general ledger.

**Management Response:**

The County of Iron will continue efforts to reconcile the cash held in the Inmate Trust Fund with all the individual inmate subsidiary ledgers to insure the "Due to Inmates" is accurately stated. All outstanding checks will be accounted for in the reconciliation to depict the accurate cash balance of the inmate trust account in the general ledger.

## IRON COUNTY, MICHIGAN

### COMMENTS AND RECOMMENDATIONS

December 31, 2004

#### CASH RECEIPTS SYSTEM

**Comment:**

1. We noted daily deposits are not being reconciled to the daily cash receipts.
2. We noted the lack of supporting documentation relating to receipts in the Clerk's department.

**Recommendation:**

We recommend documentation be maintained to support receipts in the Clerk's office. This support can consist of various forms of documentation, for example, check stubs and copies of checks received.

We recommend the Treasurer's department print out daily receipts journals and agree them to daily deposit slips, in order to substantiate amounts deposited and to detect any errors in a timely basis.

**Management Response:**

The Treasurer's Office will print out daily receipt journals and agree them to daily deposit slips in order to substantiate amounts deposited and to detect any errors on a timely basis.

The Clerk's Office will maintain documentation to support receipts in the Clerk's Office (i.e. check stubs and copies of checks received).

#### CREDIT CARD POLICY

**Comment:**

The County utilizes the use of credit card transactions without having a credit card policy.

**Recommendation:**

We recommend the County establish a credit card policy as required by the State of Michigan.

**Management Response:**

At the regular Board of Commissioners meeting of June 28, 2005, the Board adopted a resolution to establish a credit card policy for Iron County as required by Public Act No. 266 of 1995.



## IRON COUNTY, MICHIGAN

### **COMMENTS AND RECOMMENDATIONS**

December 31, 2004

#### **DUPLICATE PAYMENT**

##### **Comment:**

We noted the duplicate payment to a vendor in the amount of \$514.96, checks #153072 and #153318. Supporting documentation shown for these payments covered duplicate vendor invoices, resulting in an overpayment, in which \$410.34 was refunded subsequently by the vendor.

##### **Recommendation:**

Greater efforts are necessary to prevent payments on duplicate invoices. There was a lack of documentation relating to the refund amount, which could not explain the refund being less than the over payment. The variance may be due to the offset of the overpayment with an outstanding balance at the time the refund was issued. We recommend the variance be investigated with the vendor to insure the proper amount of the refund was received.

##### **Management Response:**

The County of Iron will continue to extend efforts to prevent payments on duplicate invoices. Variances, if any, between the duplicate payment and the refund amount will be investigated and documented.

#### **YEAR END ACCRUALS**

##### **Comment:**

1. There were accounts receivables and relating revenues not recorded in the general ledger at year-end prior to audit.
2. There were accrued wages and relating payroll expenditures not recorded in the general ledger at year-end prior to audit.

##### **Recommendation:**

We recommend all accruals at year-end be recorded in the general ledger of the County, in order to reflect the accurate financial position of the County prior to audit. This would provide more accurate information for management and the Board of Commissioners to make financial decisions at year-end and the months subsequent to year-end.

##### **Management Response:**

The County of Iron is recording the 2004 accruals in the general ledger of the County for 2004, and will reverse the accrual entries in 2005, to obtain a correct financial position for

**IRON COUNTY, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

December 31, 2004

**Management Response (Continued):**

2004 and correct starting balances for 2005. All year end accruals for 2005 will be recorded in the general ledger to accurately reflect the financial position of the County prior to audit.